OP Corporate Bank plc's Financial Statements Bulletin 1 January–31 December 2021

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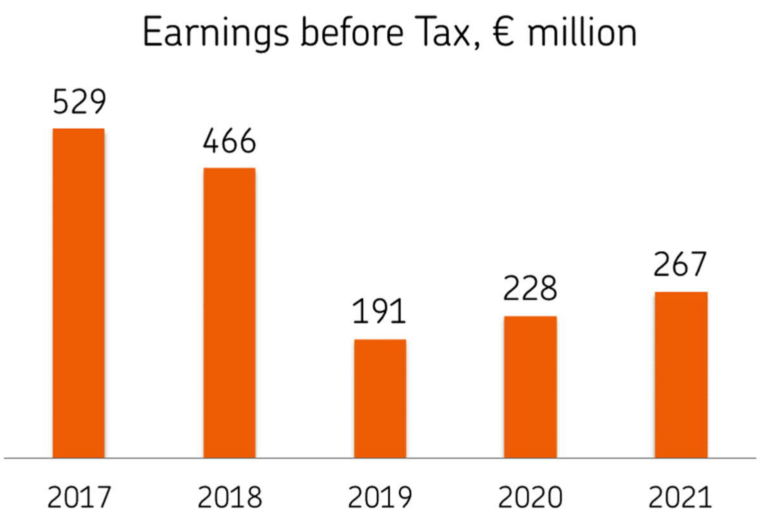
Earnings before tax Q1–4/2021	Total income Q1–4/2021	Loan portfolio Q1-4/2021	CET1 ratio 31 Dec 2021
€267 million	+26%	+7%	15.4%

- As a result of the structural arrangements carried out in OP Corporate Bank plc in 2021, OP Corporate Bank plc no longer constitutes a reporting group. OP Corporate Bank plc has changed over to preparing its interim reports and financial statements under IFRS. Data for 2020 has been adjusted to correspond the IFRS regulatory framework.
- **OP Corporate Bank plc's** earnings before tax improved to EUR 267 million (228). Total income increased by 26% to EUR 661 million (523). Net interest income increased by 28% to EUR 412 million (322) and net investment income by 12% to EUR 168 million (150). Other operating income amounted to EUR 49 million (29). Net commissions and fees increased by EUR 9 million to EUR 31 million (23) Total expenses increased by 34% to EUR 320 million (240). Impairment loss on receivables increased by EUR 21 million to EUR 74 million (53). The loan portfolio grew in the year to December by 7% to EUR 26.2 billion (24.5). The deposit portfolio grew by 15% to EUR 16.1 billion (13.9).
- OP Corporate Bank plc's business segments include Corporate Banking and Capital Markets, Asset and Sales Finance Services and Payment Transfers as well as Baltics. Non-business segment operations are presented in the Other Operations segment.
- **The Corporate Banking and Capital Markets** segment's earnings before tax improved to EUR 261 million (190). Total income increased by 26% to EUR 420 million (334). Net investment income increased by 21% to EUR 167 million (138). Other operating income amounted to EUR 70 million (8). Net interest income decreased by 4% to EUR 213 million (222). Total expenses increased by 12% to EUR 121 million (108). Higher personnel costs and other operating expenses increased expenses. Impairment loss on receivables totalled EUR 38 million (36).
- **The Asset and Sales Finance Services and Payment Transfers** segment's earnings before tax improved to EUR 90 million (79). Total income increased by 22% to EUR 231 million (189). Net interest income increased by 21% to EUR 155 million (129) and net commissions and fees by 13% to EUR 58 million (51). Total expenses increased by 11% to EUR 104 million (93). Expenses were particularly increased by higher other operating expenses. Impairment loss on receivables increased by EUR 23 million to EUR 37 million (14).
- **Baltic** earnings before tax improved to EUR 20 million (15). Total income increased by 11% to EUR 42 million (38). Net interest income increased by 9% to EUR 33 million (30) and net commissions and fees by 30% to EUR 9 million (7). Total expenses increased by 10% to EUR 22 million (20).
- **Other Operations** earnings before tax were EUR –105 million (–55). Liquidity remained strong.
- **OP Corporate Bank plc's** CET1 ratio was 15.4% (14.1).
- OP Corporate Bank plc's Baltic subsidiaries OP Finance AS (Estonia), OP Finance SIA (Latvia) and AB OP Finance (Lithuania) merged into their parent company OP Corporate Bank plc on 31 October 2021 through a cross-border subsidiary merger.
- On 29 November 2021, OP Corporate Bank plc implemented a partial demerger in such a way that the shares of Pohjola Insurance Ltd, OP Corporate Bank plc's subsidiary engaged in non-life insurance business, were transferred to the direct ownership of OP Cooperative.
- On 30 November 2021, OP Corporate Bank plc sold all shares of OP Custody Ltd to OP Cooperative.

OP Corporate Bank plc's key indicators

Earnings before tax, € million	Q1–4/2021	Q1–4/2020	Change, %
Corporate Banking and Capital Markets	261	190	37.6
Asset and Sales Finance Services and Payment Transfers	90	79	13.8
Baltics	20	15	37.7
Other Operations	-105	-55	-
Total	267	228	16.7
Return on equity (ROE), %	5.2	4.7	0.5*
Return on assets (ROA), %	0,25	0.25	-0.01*
	31 Dec 2021	31 Dec 2020	Change, %
CET1 ratio, %	15.4	14.1	1.3*
Loan portfolio, € million	26,236	24,461	7.3
Guarantee portfolio, € million	3,475	2,558	35.9
Other exposures, € million	5,731	5,422	5.7
Deposits, € million	16,089	13,944	15.4
Ratio of non-performing exposures to exposures, %	1.8	2.2	-0.5*
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.25	0.20	0.05*

Comparatives deriving from the income statement are based on OP Corporate Bank plc's figures reported for the corresponding periods in 2020 presented under the IFRS regulatory framework. Unless otherwise specified, balance-sheet and other cross-sectional figures on 31 December 2020 are used as comparatives.
*Change in ratio



OP Corporate Bank plc's earnings before tax calculated under national legislation are presented as figures for 2017–2019.

OP Corporate Bank plc's Financial Statements Bulletin 1 January–31 December 2021

Tables

Business environment

In 2021, the world economy recovered from the crisis caused by the Covid-19 pandemic. During the last quarter of the year, the economy grew briskly despite growth in the rate of infections caused by the Omicron variant. Inflation sped up strongly towards the end of the year, reaching the fastest rate in decades in many countries. The Euribor rates remained steady but long-term interest rates rose moderately during the year.

Finland's GDP exceeded its pre-pandemic level already in the spring and recovery continued at a brisk pace in the autumn. Employment has recovered from the crisis rapidly and unemployment has clearly decreased. Inflation in Finland accelerated more moderately than in the euro area on the whole although the increase was at its highest since the early 2010s. Home prices too rose at the fastest rate in many years. Towards the year end, activity on the housing market began to slow down but remained strong.

Growth in Covid-19 infections is likely to temporarily slow down economic growth at the beginning of 2022 but the economic recovery is expected to continue during the year. Inflation is expected to slow down but to remain quite high. The Covid-19 pandemic, geopolitical tensions and uncertainty related to the inflation outlook cast a shadow over the economic outlook. In December, the European Central Bank announced that it would gradually reduce its asset purchases during 2022.

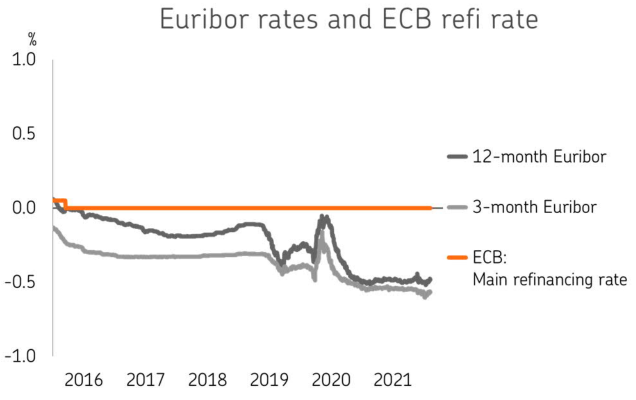
Total loans increased by 3.3 per cent in 2021. Household and housing company loans showed the strongest growth.

Household loans increased by 4.0 per cent, housing company loans by 5.9 per cent and corporate loans by 1.1 per cent. Growth in home loans as a driver of growth in household loans slowed down towards the year end, reaching 4.1 per cent, whereas the growth rate in consumer loans strengthened to 2.5 per cent.

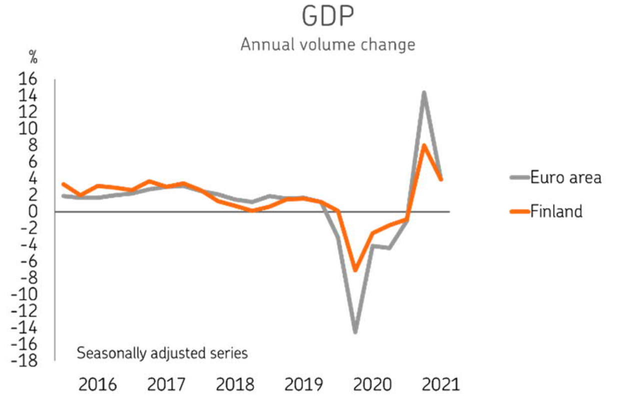
Total deposits rose by 4.7 per cent in 2021. Corporate deposits increased by 10.9 per cent and household deposits by 5.1 per cent.

The value of mutual funds registered in Finland rose to a record of EUR 158.8 billion at the end of 2021. New capital invested in mutual funds during 2021 totalled EUR 9.1 billion. A rise in stock prices also increased the value of mutual fund investments.

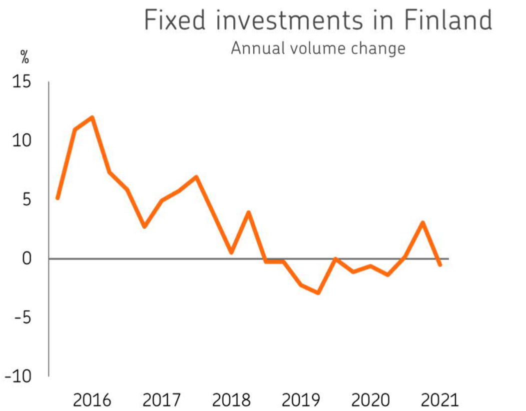
In the insurance sector, 2021 was favourable. The economic recovery supported demand for insurance products and the effects of the Covid-19 pandemic did not weaken the profitability of insurance companies. Strong performance in the capital market was also favourable to insurance companies.



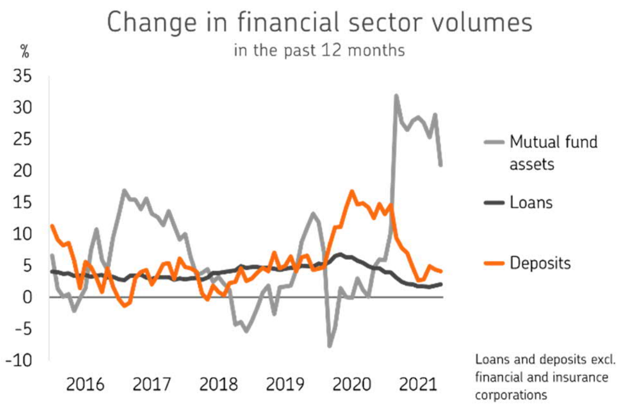
Source: Bank of Finland



Sources: Eurostat, Statistics Finland



Source: Statistics Finland



Sources: Bank of Finland, Investment Research Finland

OP Corporate Bank earnings

€ million	Q1–4/2021	Q1–4/2020	Change, %	Q4/2021	Q4/2020	Change, %
Net interest income	412	322	28.3	181	80	125.5
Net commissions and fees	31	23	38.0	6	12	-54.0
Net investment income	168	150	12.1	40	36	10.7
Other operating income	49	29	68.4	25	9	174.8
Total income	661	523	26.3	252	138	82.7
Personnel costs	72	62	16.2	21	19	12.3
Depreciation/amortisation and impairment loss	12	14	-10.2	4	3	14.0
Other operating expenses	236	163	44.2	87	39	125.1
Total expenses	320	240	33.8	112	61	84.3
Impairment loss on receivables	-74	-53	39.4	-49	12	-
OP bonuses to owner-customers	-	-2	-		0	-
Total earnings before tax	267	228	16.7	91	89	2.5

January–December

OP Corporate Bank plc's earnings before tax improved to EUR 267 million (228). Total income increased to EUR 661 million (523). Net interest income increased by EUR 91 million to EUR 412 million. This increase was especially explained by the realisation of a conditional additional benefit from the interest rate margin of the TLTRO III funding offered by the European Central Bank to banks. Net commissions and fees increased by EUR 9 million to EUR 31 million. Net investment income of EUR 168 million rose by EUR 18 million year on year. Other operating income rose by EUR 20 million to EUR 49 million. Other operating income was increased by non-recurring items from OP Corporate Bank's restructuring. Total expenses increased by EUR 81 million to EUR 320 million. Other operating expenses were especially increased by the interest benefit from TLTRO III funding that was transferred from OP Corporate Bank's Treasury to OP Financial Group companies. Impairment loss on receivables increased by EUR 21 million to EUR 74 million.

Net interest income increased by EUR 91 million to EUR 412 million. Income from interest on central bank debt and negative deposit interest rates increased interest income. In the reporting period, OP Corporate Bank recognised as income EUR 103 million in the conditional additional benefit from the interest rate margin related to the TLTRO III funding. Interest income from receivables from customers decreased to EUR 381 million (384). Interest expenses were increased by higher negative interest charges payable for central bank deposits and higher interest expenses for senior non-preferred bonds.

During the reporting period, OP Corporate Bank borrowed EUR 8 billion under TLTRO funding offered by the European Central Bank to banks. The amount of TLTRO funding increased to EUR 16 billion. In the year to December, the amount of senior non-preferred bonds rose by EUR 2.3 billion to EUR 3.9 billion. Tier 2 bonds amounted to EUR 2.0 billion (2.3) at the end of the reporting period. In the year to December, OP Corporate Bank's loan portfolio grew by 7.3% to EUR 26.2 billion (24.5) and guarantee portfolio by 35.9% to EUR 3.5 billion (2.6). In the year to December, the deposit portfolio increased by 15.4% to EUR 16.1 billion (13.9).

Net commissions and fees increased by EUR 9 million to EUR 31 million. Commissions and fees were especially increased by commission income from payment transfers and lending.

Net investment income increased by EUR 18 million to EUR 168 million. Income from financial assets held for trading rose by EUR 20 million to EUR 164 million. Value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes improved earnings by EUR 15 million (–16). Capital gains on notes and bonds, EUR 4 million, were EUR 3 million lower than a year ago.

Other operating income of EUR 49 million rose by EUR 20 million year on year. Other operating income was mainly increased by capital gain on the sale of OP Custody Ltd shares.

Total expenses increased by EUR 81 million year on year to EUR 320 million. Personnel costs rose by EUR 10 million to EUR 72 million due to higher provisions for performance-based bonuses. Depreciation/amortisation and impairment loss, EUR 12 million, decreased by EUR 1 million year on year. Other operating expenses increased by EUR 72 million to EUR 236 million. Other operating expenses were increased by the transfer of the interest rate benefit, EUR 54 million, received under TLTRO III funding to OP Financial Group companies. This benefit was transferred on the basis of the collateral securities allocated to the companies and used for TLTRO III funding. The increase in other operating expenses was also explained by higher ICT costs and higher year-on-year service charges by OP Cooperative and charges of financial authorities.

Impairment loss on receivables, EUR 74 million, was EUR 21 million higher than a year ago. This increase in impairment loss on receivables was particularly explained by the tightened management of the measurement of exposures that have been non-performing for a long time. Final net loan losses recognised totalled EUR 46 million (55). Loss allowance was EUR 339 million (310) at the end of the reporting period. Non-performing exposures accounted for 1.8% (2.2) of the exposures. Impairment loss on loans and receivables accounted for 0.25% (0.20) of the loan and guarantee portfolio.

October–December

Earnings before tax for the last quarter improved to EUR 91 million (89). Total income of EUR 252 million was EUR 114 million higher than the year before. Net interest income increased by EUR 101 million to EUR 181 million, caused by the revenue recognition of the additional margin of TLTRO III funding. Other operating income rose by EUR 16 million to EUR 25 million due to items recognised on a non-recurring basis. Total expenses increased by EUR 51 million to EUR 112 million. Impairment loss recognised on receivables amounted to EUR 49 million. A year ago, impairment loss on receivables reversed came to EUR 12 million.

Net interest income rose to EUR 181 million (80). Income from the negative interest rates of central bank debt mainly increased interest income. During the last quarter, OP Corporate Bank recognised as income, under IFRS 9, the conditional additional margin under TLTRO III funding when the criteria for net lending performance was fulfilled.

Net commissions and fees of EUR 6 million decreased by EUR 7 million year on year. Commission income fell by EUR 2 million to EUR 35 million. Commission expenses rose by EUR 5 million to EUR 29 million. Commission expenses were mainly increased by fees paid to member banks.

Net investment income increased in the last quarter by EUR 4 million to EUR 40 million. This increase was mainly explained by income from derivatives operations. Capital gains recognised on notes and bonds totalled EUR 1 million (0).

Other operating income of EUR 25 million rose by EUR 16 million. In the last quarter, OP Corporate Bank recognised a capital gain of EUR 18 million on the sale of OP Custody Ltd shares.

Total expenses rose by EUR 51 million to EUR 112 million. Personnel costs increased by EUR 2 million to EUR 21 million. Depreciation/amortisation and impairment loss on receivables, EUR 4 million, were at the same level as a year ago. Other operating expenses totalling EUR 87 million increased by EUR 48 million. Other operating expenses were particularly increased by the transfer of the interest rate benefit from the interest rate margin received under TLTRO III funding to OP Financial Group companies. ICT costs increased by EUR 3 million to EUR 24 million.

Impairment loss on receivables totalled EUR 49 million whereas their amount reversed a year ago totalled EUR 12 million. Impairment loss on receivables was particularly increased by impairment loss on individual receivables. Final net loan losses recognised totalled EUR 2 million (2).

Measures taken by OP Corporate Bank amid the Covid-19 crisis

OP Corporate Bank has provided its customers with the opportunity for a loan modification if the Covid-19 pandemic has caused disruptions in their business or repayment capacity.

OP Corporate Bank has ensured that services critical to society are available during the Covid-19 crisis too. OP Corporate Bank has enabled safe working conditions for its personnel in their workplace. Extensive remote working is also encouraged in those jobs where it is possible.

In October, OP Corporate Bank approved the principles of the future way of working, or hybrid work. These shared principles will help organisations and teams to plan how to work in diverse ways from multiple locations. OP Corporate Bank will in future combine in-office and remote work systematically, smoothly and productively while taking account of occupational safety. Customer needs and business goals primarily guide the types and locations of work.

October–December highlights

Restructuring

OP Corporate Bank plc's Baltic subsidiaries OP Finance AS (Estonia), OP Finance SIA (Latvia) and AB OP Finance (Lithuania) merged into their parent company OP Corporate Bank plc on 31 October 2021 through a cross-border subsidiary merger.

On 29 November 2021, OP Corporate Bank plc implemented a partial demerger in such a way that the shares of Pohjola Insurance Ltd, OP Corporate Bank plc's subsidiary engaged in non-life insurance business, were transferred to the direct ownership of OP Cooperative. Technically, this was implemented in such a way that OP Corporate Bank plc demerged through a partial demerger into OP Insurance

Holding Ltd, an ancillary company wholly owned by OP Cooperative, on 29 November 2021, which merged into OP Cooperative through a subsidiary merger on 30 November 2021.

OP Corporate Bank plc sold all shares of its subsidiary OP Custody Ltd to OP Cooperative on 30 November 2021.

Corporate responsibility

Corporate responsibility is an integral part of OP Corporate Bank's and OP Financial Group's business and strategy. OP Financial Group's aim is to be a forerunner of corporate responsibility within its sector in Finland. OP Financial Group is committed to complying with the ten principles of the UN Global Compact initiative in the areas of human rights, labour rights, the environment and anti-corruption. OP has agreed to follow the UN Principles for Responsible Investment since 2009. OP Financial Group is a Founding Signatory of the Principles for Responsible Banking under the United Nations Environment Programme Finance Initiative (UNEP FI).

In May, OP published the annual Green Bond Report that contains a description of the green bond of EUR 500 million issued by OP Corporate Bank in February 2019, including examples of businesses and projects financed and the environmental impacts achieved. Proceeds raised with OP's first green bond were used to finance renewable energy, green buildings and sustainable land use. During 2020, it resulted in significant positive environmental impacts: almost 200,000 tonnes of avoided CO2e emissions in power generation, over 140,000 CO2e tonnes of carbon sinks through sustainable land use, production of 390 MW of renewable energy and 20,000 m2 of green certified building area.

In its loan decisions, OP Corporate Bank considers the ESG themes and risks related to environmental, social and governance factors in accordance with the EBA (European Banking Authority) Guidelines on loan origination and monitoring. In the new ESG analysis, customers are reviewed on a sector-specific basis in respect of the ESG themes. At the initial stage, the Guidelines will be applied to corporate customer exposures granted after 30 June 2021. In prior years, OP Corporate Bank has already conducted ESG analyses on its large customers, which have taken account of environmental, social and governance aspects. In corporate financing, OP Corporate Bank assesses the companies' climate change actions from the following perspectives: the company's impact on climate change, the relevance of the company's measures to mitigate climate change and the impacts of climate change on the company.

In October, OP Corporate Bank committed itself to ensuring that its corporate loan portfolios are carbon neutral by 2050. In addition, OP Corporate Bank tightened its stance on coal in its financing and investments. In future, OP Corporate Bank will not provide finance for new coal power plants or coal mines, including companies that plan to build the low-carbon economy transition, which present a concrete plan to withdraw from coal. Neither does it finance new corporate customers with financial dependence of over 5% on coal as an energy source, measured in net sales. The only exceptions are corporate customers committed to making, its main market for corporate financing. Right now, OP Corporate Bank is creating a road map for reducing emissions significantly before 2050, especially in Finland, its main market for corporate financing.

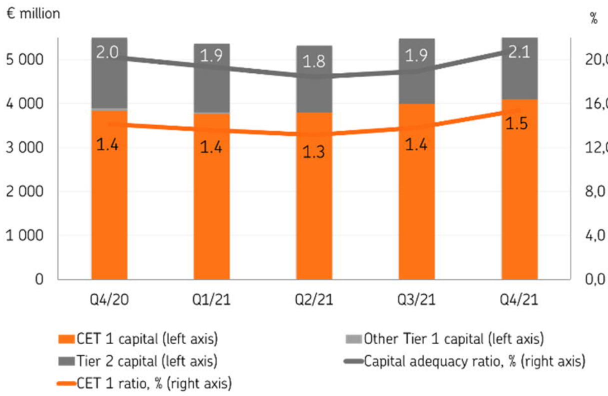
The aim of the EU Taxonomy for sustainable finance that entered into force in 2021 is to determine the sustainability of financing and investment instruments. For 2021, information in compliance with the EU taxonomy is presented at Group level in OP Financial Group's Financial Statements Bulletin 2021 and OP Financial Group's Report by the Board of Directors 2021.

OP Corporate Bank has developed two products based on the international framework for sustainable finance: green loans and sustainability-linked loans. Green loans are designed for corporate customers that can make a commitment to using the borrowed funds to promote specific projects, while sustainability-linked loans are for corporate customers that are prepared to pursue sustainability-based performance targets agreed with the lender. These targets affect the loan margin. The combined exposures of these loans and limits increased to EUR 3.0 billion (1.5) in 2021.

To promote diversity, OP Financial Group's objective is that the proportion of both genders in defined executive positions is at least 40%. Women accounted for 30% (28) at the end of December.

Capital adequacy

Capital base and capital adequacy



Capital adequacy for credit institutions

OP Corporate Bank plc's CET1 ratio was 15.4% (14.1) on 31 December 2021.

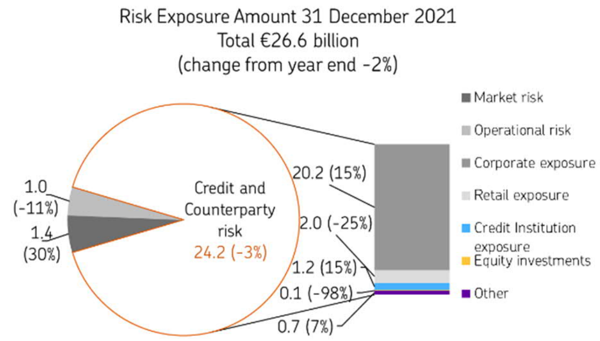
As a credit institution, the company's capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%. The requirement for the capital conservation buffer of 2.5% under the Act on Credit Institutions increases in practice the minimum capital adequacy ratio to 10.5% and the minimum CET1 ratio to 7%.

The CET1 capital totalled EUR 4.1 billion (3.8) on 31 December 2021. CET1 capital was increased by the reporting period's earnings.

On 31 December 2021, the risk exposure amount (REA) totalled EUR 26.6 billion (27.1), or 2.1% lower than a year earlier. In March, the ECB set a parameter factor for corporate exposures, based on the TRIM (Targeted Review of Internal Models), which increased the risk-weighted assets of corporate exposures. The amount of corporate exposures increased from the end of 2020. The revised Capital Requirements Directive and Regulation (CRR2) came into force in June, which increased counterparty risk associated with derivatives as anticipated. In September, OP Financial Group adopted calibrated parameters in retail and corporate exposures. This adoption slightly increased risk-weighted assets and slightly decreased expected loss. As a result of the partial demerger of OP Corporate Bank plc, EUR 3.9 billion in risk-weighted assets as insurance company holdings were removed from equity investments.

OP Corporate Bank plc is part of OP Financial Group, whose capital adequacy is supervised in accordance with the Act on the Supervision of Financial and Insurance Conglomerates. As part of OP Financial Group, OP Corporate Bank plc is supervised by the ECB. OP Financial Group presents capital adequacy information in its financial statements bulletin and interim and half-year financial reports in accordance with the Act on the Amalgamation of Deposit Banks. OP Financial Group also publishes Pillar III disclosures.

The Finnish Financial Supervisory Authority (FIN-FSA) makes a macroprudential policy decision on a quarterly basis. In December 2021, the FIN-FSA reiterated its decision not to impose a countercyclical capital buffer requirement on banks.



OP Financial Group is in discussions with the ECB on reassessing the scope of application of internal models (IRBA, Internal Ratings-Based Approach). Based on the current estimate, the change in the scope of the IRBA may decrease OP Corporate Bank plc's CET1 ratio by around 0.5 percentage points. The final effect of the change and the implementation schedule will be specified after discussions with the supervisor and the approval process related to the scope of the IRBA.

Liabilities under the Resolution Act

Under regulation applied to crisis resolution of credit institutions and investment firms, the resolution authority is authorised to intervene in the terms and conditions of investment products issued by a bank in a way that affects an investor's position. The EU's Single Resolution Board (SRB) based in Brussels is OP Financial Group's resolution authority. The SRB has confirmed a resolution strategy for OP Financial Group whereby the resolution measures would focus on the OP amalgamation and on the new OP Corporate Bank that would be formed in the case of resolution.

On 14 May 2021, the resolution authority updated the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) for OP Financial Group. The updated MREL is 25.8% of the risk-weighted assets (RWA) and 10.12% of the leverage ratio exposures (LRE). It took effect on 1 January 2022. The requirements include a combined buffer requirement of 3.5%.

As part of the MREL, the resolution authority has set a new subordination requirement for OP Financial Group in accordance with the Single Resolution Mechanisms Regulation. The subordination requirement determines how much of the MREL must be met with own funds or with subordinated liabilities. From the beginning of 2022, the subordination requirement supplementing the MREL will be 22% of the total risk exposure amount and 10.11% of the leverage ratio exposure. From the beginning of 2024, the subordination requirement will be 24% of the total risk exposure amount and 10.12% of the leverage ratio exposure.

OP Financial Group's buffer for the MREL was EUR 6.5 billion and for the subordination requirement EUR 1.1 billion. The MREL was based on the RWA and the subordination requirement on the LRE. The amount of senior non-preferred (SNP) bonds issued by OP Corporate Bank totalled EUR 3.9 billion. These bonds provide funds for OP Financial Group's subordination requirement.

Credit ratings

OP Corporate Bank plc's credit ratings on 31 December 2021

Rating agency	Short-term debt	Outlook	Long-term debt	Outlook
Standard & Poor's	A-1+	-	AA-	Stable
Moody's	P-1	Stable	Aa3	Stable

OP Corporate Bank plc has credit ratings affirmed by Standard & Poor's Global Ratings Europe Limited and Moody's Investors Service (Nordics) AB. When assessing the company's credit rating, credit rating agencies take account of the entire OP Financial Group's financial standing.

Risk exposure

OP Financial Group's risk-taking starts from the fact that the Group assumes risks that are mainly associated with executing the Group's mission. In its risk-taking, the Group emphasises moderation, responsibility and careful action. Risk-taking is directed and limited by means of principles and limits prepared by senior management and approved by Group Executive Management.

OP Financial Group has created a foundation for successful operations if it has diverse knowledge of factors affecting its customers' future, and skills in using this knowledge, in addition to capital of trust, financial capital and liquidity. Risk-taking is based on understanding matters affecting customers' future operations and success in the current business environment and in situations where the business environment is affected by an unexpected shock or change in trend.

OP Financial Group analyses the business environment as part of the continuous strategy process. Megatrends and future visions behind the strategy reflect driving forces that affect the daily activities, conditions and future of OP Financial Group and its customers. Such factors shaping the business environment include sustainable development and responsibility (ESG), demographic change in the population and fast technological progress.

For example, climate and environmental changes are considered thoroughly so that their effects on the customers' future success are understood. Through advice and business decisions, OP Financial Group encourages its customers in bolstering their sustainable and successful business in the future. At the same time, OP Financial Group ensures that its operations are profitable and in compliance with its core values in the long term.
Considering that OP Financial Group's business covers various areas of the financial sector on an extensive basis, unexpected external shocks may cause direct and indirect effects on the prosperity of OP Financial Group's customers and on the Group's premises, IT infrastructure and personnel that may come in many forms. If materialised, they may affect risk exposure, capitalisation, liquidity and the continuity of daily business in various ways. The Group makes the effects of such potential shocks visible by means of scenario work.

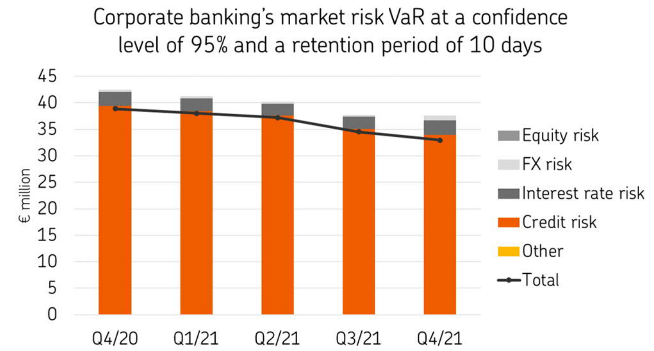
Operational risks were well managed at Group level, and the materialisation of OP Corporate Bank's operational risks resulted in EUR 5 million (2) in gross losses. For other risks, the risk exposure will next be examined in greater detail for Banking and Other Operations. Banking involves Corporate Banking and Capital Markets, Asset and Sales Finance Services and Payment Transfers as well as the Baltic operations.

Banking

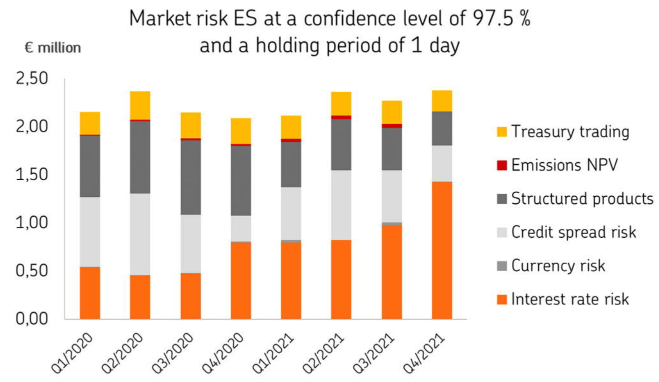
Major risks in banking are associated with credit risk arising from customer business, and market risk.

Credit risk exposure by Banking remained stable and credit risk remained moderate, despite the Covid-19 pandemic.

During the reporting period, the market risk level of Banking's long-term investments decreased. No major changes were made to the asset class allocation during the reporting period. The VaR, a measure of market risks, was EUR 33 million (39) on 31 December 2021. The VaR risk metric includes the liquidity buffer and banking's long-term bond investments as well as derivatives that hedge their interest rate risks.



Expected Shortfall (ES), a measure of market risk associated with the interest rate risk position of Markets and Treasury, increased slightly. Interest rate risk, in particular, and its proportion of the total risk increased clearly as a result of the market movements seen in the last quarter.



Banking's interest rate risk in the banking book measured as the effect of a one-percentage point change on a 12-month net interest income was EUR 56 million at the end of the reporting period. A rise in interest rates increases interest income risk. Interest income risk is calculated for a one-year period by dividing the sum of the interest income risk for the next three years by three.

Forborne loans and non-performing receivables

	Performing forborne exposures (gross)		Non-performing receivables (gross)		Doubtful receivables (gross)		Loss allowance		Doubtful receivables (net)	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Over 90 days past due, € billion			0.18	0.13	0.18	0.13	0.09	0.08	0.09	0.05
Unlikely to be paid, € billion			0.31	0.49	0.31	0.49	0.09	0.13	0.22	0.35
Forborne exposures, € billion	0.19	0.25	0.14	0.10	0.32	0.34	0.09	0.05	0.24	0.30
Total, € billion	0.19	0.25	0.63	0.71	0.81	0.96	0.27	0.26	0.55	0.70

Key ratios	31 Dec 2021	31 Dec 2020
Ratio of doubtful receivables to exposures, %	2.29	2.99
Ratio of non-performing exposures to exposures, %	1.77	2.22
Ratio of performing forborne exposures to exposures, %	0.52	0.77
Ratio of performing forborne exposures to doubtful receivables, %	22.9	25.8
Ratio of loss allowance (receivables from customers) to doubtful receivables, %	41.5	32.1

On 31 December 2021, OP Corporate Bank plc had 7 (6) large customer exposures, totalling EUR 3.5 billion (2.7). Large customer exposure refers to the amount of exposures of an individual group of connected clients which, after allowances and other techniques applied to mitigate credit risks, exceeds 10% of the capital base covering customer risk. Own funds covering customer exposure means Tier 1 capital under CRR II.

Exposures by the Baltic Banking were EUR 3.7 billion (3.6), accounting for 9.3% (9.2) of total banking exposures of the Corporate Banking segment.

The distribution of loss allowance by sector is presented at Group level in OP Financial Group's financial statements bulletin 2021.

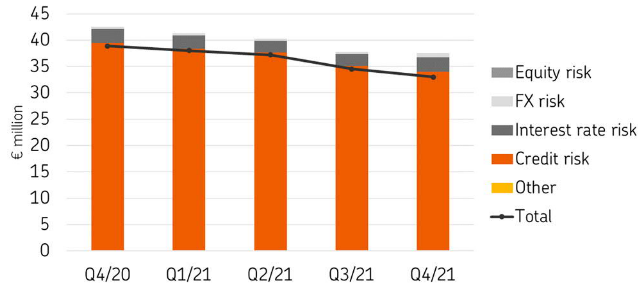
Other Operations

Major risks related to the Other Operations segment include credit and market risks associated with the liquidity buffer, and liquidity risks. The most significant market risk factor is the effect of credit spread changes on the value of notes and bonds included in the liquidity buffer.

OP Financial Group and OP Corporate Bank plc have a solid funding and liquidity position. The availability of funding has remained good.

The market risk of notes and bonds in the liquidity buffer (VaR with 95% confidence) decreased during the reporting period. No major changes occurred in the asset class allocation. The VaR risk metric that measures market risk associated with the liquidity buffer was EUR 30 million (35) on 31 December 2021. The VaR risk metric includes the long-term bond investments within the liquidity buffer and the derivative contracts that hedge their interest rate risks.

Corporate banking's market risk VaR at a confidence level of 95% and a retention period of 10 days



OP Financial Group secures its liquidity through a liquidity buffer maintained by OP Corporate Bank and consisting mainly of deposits with central banks and receivables eligible as collateral for central bank refinancing. The liquidity buffer is sufficient to cover the need for short-term funding for known and predictable payment flows and in a liquidity stress scenario.

OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the LCR (Liquidity Coverage Ratio). According to regulation, the LCR must be at least 100%. OP Financial Group's LCR was 212% (197) at the end of the reporting period.

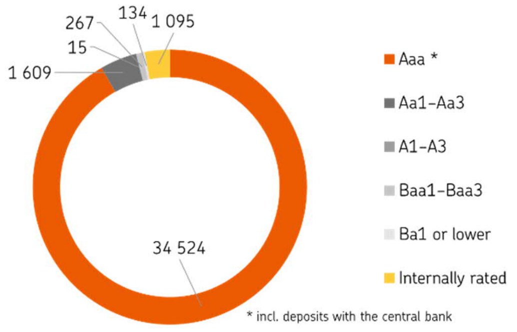
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio (NSFR), which measures structural funding risk. In regulation, a minimum requirement of 100% has been set for the NSFR as of 30 June 2021. OP Financial Group's NSFR was 130% (123) at the end of the reporting period.

Liquidity buffer

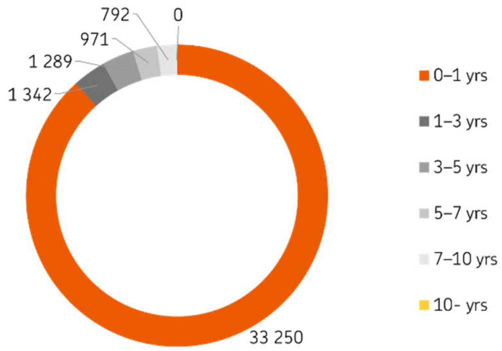
€ billion	31 Dec 2021	31 Dec 2020	Change, %
Deposits with central banks	32.6	21.6	51.3
Notes and bonds eligible as collateral	4.0	8.7	-53.5
Corporate loans eligible as collateral	0.0	0.0	-
Total	36.7	30.2	21.2
Receivables ineligible as collateral	1.0	1.0	-2.6
Liquidity buffer at market value	37.6	31.3	20.4
Collateral haircut	-0.3	-0.5	-
Liquidity buffer at collateral value	37.3	30.8	21.3

The liquidity buffer comprises notes, bonds and securitised assets issued by governments, municipalities, financial institutions and companies all showing good credit ratings.

Financial assets included in the liquidity buffer by credit rating on 31 December 2021, € million



Financial assets included in the liquidity buffer by maturity on
31 December 2021, € million



For OP Corporate Bank plc acting as OP Financial Group's central financial institution, OP cooperative banks and OP Cooperative with its subsidiaries form a significant customer group. Exposures of OP Financial Group entities represented 19.3% of OP Corporate Bank plc's exposures. These exposures increased during the year by EUR 3.7 billion. All exposures of OP cooperative banks and OP Cooperative are investment-grade exposures.

Financial performance by segment

OP Corporate Bank plc has published its interim reports and financial statements for prior reporting periods as consolidated financial statements under IFRS. As a result of the structural arrangements carried out in the fourth quarter of 2021, OP Corporate Bank plc no longer constitutes a reporting group under IFRS. In prior interim and financial reports, OP Corporate Bank Group's business segments were Corporate Banking and Insurance. Non-business segment operations were presented in the Other Operations segment. As a result of structural changes made in OP Corporate Bank, OP Corporate Bank is engaged in corporate banking and central banking.

OP Corporate Bank's new business segments include Corporate Banking and Capital Markets, Asset and Sales Finance Services and Payment Transfers as well as Baltics. Non-business segment operations are presented in the Other Operations segment. OP Corporate Bank plc prepares its segment reporting in compliance with its accounting policies.

Corporate Banking and Capital Markets

- Earnings before tax improved to EUR 261 million (190).
- Total income increased by 25.6% to EUR 420 million. Net interest income decreased by 3.9% to EUR 213 million. Net investment income increased to EUR 167 million (138). Value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes improved earnings by EUR 15 million (–16).
- Total expenses increased by 11.9% to EUR 121 million (108). Personnel costs accounted for EUR 6 million of this increase and the EU stability contribution for EUR 2 million.
- In the year to December, the loan portfolio grew by 8.9% to EUR 15.2 billion.
- Impairment loss on receivables weakened earnings by EUR 38 million (36).
- The most significant development investments focused on the development of the equity savings account.

Key figures and ratios

€ million	Q1–4/2021	Q1–4/2020	Change, %
Net interest income	213	222	-3.9
Net commissions and fees	-31	-33	-7.4
Net investment income	167	138	21.3
Other operating income	70	8	815.2
Total income	420	334	25.6
Personnel costs	36	30	20.1
Depreciation/amortisation and impairment loss	7	6	14.7
Other operating expenses	78	72	8.2
Total expenses	121	108	11.9
Impairment loss on receivables	-38	-36	3.7
Earnings before tax	261	190	37.6
Cost/income ratio, %	28.9	32.4	3.5*
Return on assets (ROA), %	1.29	0.92	0.37*
Return on assets, excluding OP bonuses, %	1.29	0.92	0.37*
	31 Dec 2021	31 Dec 2020	Change, %
Loan portfolio, € billion	15.2	14.0	8.9

*Change in ratio

The Corporate Banking and Capital Markets business segment provides corporate and institutional customers with financing and liquidity management services and financing services for foreign trade. The services also range from the arrangement of debt issues, corporate finance services, equity, foreign exchange, bond, money market and derivative products, structured investment products and investment research. In addition to its own clients, the segment provides capital market products and services to corporate and retail clients through OP cooperative banks.

Investments by Corporate Banking in promoting sustainable finance increased the commitment portfolio of responsible finance to EUR 3 billion.
Demand for home loans supported the sale of interest rate protection products, but the activity level among corporate

customers decreased over the previous year. A year ago, the Covid-19 pandemic increased rearrangement of finance and thereby the activity level of interest rate hedges by companies.

In October, OP launched the equity savings account for its customers on OP-mobile.

Financial performance for the reporting period

The segment's earnings before tax improved to EUR 261 million (190). Total income increased by 25.6%. Total expenses increased by 11.9%. The cost/income ratio improved to 28.9% (32.4) year on year.

Net interest income decreased by 3.9% to EUR 213 million (222). The segment's loan portfolio increased by 8.9%, amounting to EUR 15.2 billion (14.0). Net commissions and fees increased to EUR –31 million (–33). Net commissions and fees include commissions paid to OP Financial Group.

Net investment income increased to EUR 167 million (138) as a result of higher income from derivatives business. Market changes, in particular the rise in long-term interest rates, reduced derivative receivables and their valuation adjustments recognised through profit or loss.

Other operating income increased to EUR 70 million (8). Other operating income was increased by a capital gain of EUR 18 million on the sale of OP Custody Ltd as well as the additional margin of EUR 45 million under TLTRO III funding.

Impairment loss on receivables weakened earnings by EUR 38 million (36).

Total expenses were EUR 121 million (108). Personnel costs rose by 20.1% to EUR 36 million due to higher provisions for performance-based bonuses. Other operating expenses increased by 8.2% to EUR 78 million (72). The EU stability contribution increased by EUR 2 million to EUR 14 million.

Asset and Sales Finance Services and Payment Transfers

- Earnings before tax improved to EUR 90 million (79).
- Total income increased by 22.3% to EUR 231 million. Net interest income increased by 20.5% to EUR 155 million.
- Total expenses increased by 11.4% to EUR 104 million (93). The EU stability contribution represented EUR 3 million of the increase.
- In the year to December, the loan portfolio grew by 3.4% to EUR 8.0 billion.
- Impairment loss on receivables weakened earnings by EUR 37 million (14).
- The most significant development investments involved the development of payment systems.

Key figures and ratios

€ million	Q1–4/2021	Q1–4/2020	Change, %
Net interest income	155	129	20.5
Net commissions and fees	58	51	13.3
Net investment income	0	0	0
Other operating income	18	9	102.3
Total income	231	189	22.3
Personnel costs	26	25	6.5
Depreciation/amortisation and impairment loss	2	4	-54.7
Other operating expenses	76	65	16.8
Total expenses	104	93	11.4
Impairment loss on receivables	-37	-14	160
OP bonuses to owner-customers	0	-2	-100
Earnings before tax	90	79	13.8
Cost/income ratio, %	44.9	49.3	4.4*
Return on assets (ROA), %	1.10	1.05	0.04*
Return on assets, excluding OP bonuses, %	1.10	1.09	0.01*
	31 Dec 2021	31 Dec 2020	Change, %
Loan portfolio, € billion	8.0	7.8	3.4
Deposits, € billion	14.9	12.4	20.5

*Change in ratio

The Asset and Sales Finance Services and Payment Transfers business segment provides consumers and companies with customer financing services, payment and liquidity management services, financing services for foreign trade and leasing and factoring services.

The most significant development investments of the business segment involved the upgrades of core payment systems. In addition, digital transaction services were updated and improved. The reporting period involved upgrading, for example, online services of asset and sales finance services for end users in personal and corporate customer segments. In addition, OP enabled multi-banking for businesses as the first bank in Finland.

Financial performance for the reporting period

The segment's earnings before tax improved to EUR 90 million (79). Total income increased by 22.3%. Total expenses increased by 11.4%. The cost/income ratio improved to 44.9% (49.3) year on year.

Net interest income increased by 20.5% to EUR 155 million. The increase was explained by an increase in net interest income from asset and sales finance solutions. Net commissions and fees increased to EUR 58 million (51). Favourable development in commission income from payment transfers, in particular, was behind the increase. Other operating income increased to EUR 18 million (9).

Other operating income was increased by the additional margin of EUR 7 million under TLTRO III funding. The loan portfolio grew in the year to December by 3.4% to EUR 8.0 billion (7.8). The deposit portfolio increased by 20.5% to EUR 14.9 billion (12.4).

Impairment loss on receivables weakened earnings by EUR 37 million (14).

Total expenses were EUR 104 million (93). Personnel costs rose by 6.5% to EUR 26 million due to higher provisions for performance-based bonuses. Other operating expenses increased by 11.4% to EUR 76 million (65). ICT costs increased by EUR 3 million year on year. The EU stability contribution increased by EUR 3 million to EUR 7 million.

Baltics

- Earnings before tax improved to EUR 20 million (15).
- Total income increased by 11.2% to EUR 42 million. Net interest income increased by 8.9% to EUR 33 million.
- Total expenses increased by 10.3% to EUR 22 million (20).
- In the year to December, the loan portfolio grew by 7.0% to EUR 2.4 billion.
- Impairment loss on receivables totalled EUR 0 million (3).
- The most significant development investments focused on the development of systems.

Key figures and ratios

€ million	Q1–4/2021	Q1–4/2020	Change, %
Net interest income	33	30	8.9
Net commissions and fees	9	7	30
Net investment income	0	0	-107.8
Other operating income	0	1	-93.1
Total income	42	38	11.2
Personnel costs	6	5	32.0
Depreciation/amortisation and impairment loss	2	2	-6.0
Other operating expenses	14	13	5.4
Total expenses	22	20	10.3
Impairment loss on receivables	0	-3	-115.4
Earnings before tax	20	15	37.7
Cost/income ratio, %	52.8	53.3	0.4*
Return on assets (ROA), %	0.71	0.54	0.17*
Return on assets, excluding OP bonuses, %	0.71	0.54	0.17*

	31 Dec 2021	31 Dec 2020	Change, %
Loan portfolio, € billion	2.4	2.2	7.0
Deposits, € billion	0.7	0.8	-14.0

*Change in ratio

With its local expertise, the Baltics segment provides corporate and institutional customers with financing and liquidity management services and financing services for foreign trade. OP Corporate Bank plc has branches in Estonia, Latvia and Lithuania.

In the year to December, the segment's loan portfolio grew by 7.0% to EUR 2.4 billion. The deposit portfolio decreased by 14% to EUR 0.7 billion.

The most significant development investments in 2021 focused on the system development of leasing products.

Financial performance for the reporting period

The segment's earnings before tax improved to EUR 20 million (15). Total income increased by 11.2%. Total expenses increased by 10.3%. The cost/income ratio improved to 52.8% (53.3) year on year.

Net interest income increased by 8.9% to EUR 33 million (30). The loan portfolio grew by 7.0%. Net commissions and fees increased to EUR 9 million (7). Other operating income amounted to EUR 0 million (1).

Impairment loss on receivables totalled EUR 0 million (3).

Total expenses were EUR 22 million (20). Personnel costs rose by 32.0% to EUR 6 million due to higher provisions for performance-based bonuses. Other operating expenses increased by 5.4% to EUR 14 million (13). ICT costs were at the same level as a year ago.

Other Operations

- Earnings before tax totalled EUR –105 million (–55).
- The additional interest under TLTRO funding increased net interest income by EUR 103 million (18) and other expenses by EUR 106 million (0).
- Liquidity remained strong.

Key figures and ratios

€ million	Q1–4/2021	Q1–4/2020	Change, %
Net interest income	11	-59	-
Net commissions and fees	-5	-2	-
Net investment income	1	12	-90.0
Other operating income	19	12	62.1
Total income	27	-3	-
Personnel costs	4	3	30.1
Other expenses	127	15	765.8
Total expenses	132	18	628.6
Impairment loss on receivables	0	1	-20.0
Earnings before tax	-105	-55	-
Receivables and liabilities from/to the amalgamation's central cooperative and member credit institutions, net position, € billion	-13.1	-9.5	-

Functions supporting OP Financial Group, such as Group Treasury, are centralised within Other Operations. Group Treasury is responsible for the management of the funding and liquidity of member credit institutions and the central cooperative consolidated. It is also in charge of OP Financial Group's wholesale funding together with OP Mortgage Bank. Income generated by Other Operations derives mainly from net interest income and net investment income. The most significant risk categories are market risks and credit risk. In addition, income, expenses, investments and capital which have not been allocated to the business segments are reported under Other Operations.

Financial performance for the reporting period

Other Operations earnings before tax amounted to EUR –105 million (–55). Earnings before tax at fair value were EUR –86 million (–18).

Net interest income was EUR 11 million (–59). The conditional additional margin of –0.5% exceeding the ECB's deposit facility rate under TLTRO III funding increased net interest income by EUR 103 million (18). The future cash flows of TLTRO III funding were changed in the cash flow measurement as a result of the fulfilment of the criteria for net lending performance that were the condition for the additional margin. In this change, the conditional additional margin for the current interest period was added to cash flows and the repayment periods of the funding were updated. The gross carrying amount of TLTRO funding was determined under IFRS 9 to correspond to the present value of the reassessed cash flows by discounting them by the original effective interest rates for tranches of finance. The resulting adjustment was recognised through profit or loss under IFRS 9.

Net interest income was weakened by the Tier 2 bonds issued in 2020 and by senior non-preferred bonds issued in 2021, according to the funding plan, whose credit spread is higher than that of senior bonds. Net interest income was also weakened by a non-recurring cost caused by the cancellation of interest rate hedge of a subordinated loan redeemed in April.

Net investment income totalled EUR 1 million (12). Net investment income included EUR 3 million (5) in capital gains on notes and bonds.

Expenses for the reporting period increased by EUR 106 million (0) due to the transmission within OP Financial Group of the margin exceeding the ECB's deposit facility rate based on the TLTRO programme launched in 2021.

At the end of December, the average margin of senior and senior non-preferred wholesale funding and TLTRO funding was 18 basis points (20). The cost was lowered by TLTRO funding.

OP Corporate Bank participated in the seventh TLTRO III operation for EUR 5.0 billion in March and in the eighth operation for EUR 3.0 billion in June. OP Corporate Bank's TLTRO III funding amounted to a total of EUR 16.0 billion at the end of December.

OP Corporate Bank issued two senior non-preferred bonds in March and one in June, one in September and one in October. The bonds issued in March were worth EUR 500 million with a 5-year maturity and EUR 300 million with a 10-year maturity. The bonds issued in June and September were worth EUR 500 million with a 7-year maturity and the bond issued in October was worth GBP 400 million with a 5-year maturity.

During the reporting period, OP Corporate Bank issued long-term bonds worth EUR 3.1 billion.

In 2020, the Governing Council of the European Central Bank modified the terms and conditions of TLTRO III to stimulate bank lending to those hardest hit by the Covid-19 pandemic. According to the modified conditions, the interest rate between 24 June 2020 and 23 June 2022 can be the ECB's deposit facility rate (–0.50% on the reporting date) minus 0.50%. For the subsequent loan maturity, the interest rate can be, at its best, the ECB's deposit facility rate. The reduced interest rate is conditional on fulfilling the criteria for net lending performance.

The interest rate for 24 June 2020–23 June 2021 was determined by the net lending performance period expired on 31 March 2021 and the interest rate for 24 June 2021–23 June 2022 was determined by the net lending performance period expired on 31 December 2021. In respect of the interest period for 24 June 2020–23 June 2021, the Bank of Finland has confirmed that OP Financial Group has fulfilled the criteria for net lending performance. In respect of the interest period for 24 June 2021–23 June 2022, OP Financial Group assesses that it has fulfilled the criteria. The final interest rate will be determined when the TLTRO III operation matures.

OP Financial Group has assessed that TLTRO III funding fulfils the terms of market-based financing and is treated according to IFRS 9.

On 31 December 2021, investments by the amalgamation's central cooperative and the member credit institutions in OP Corporate Bank were EUR 13.1 billion higher than funding borrowed by them from Group Treasury. This increase in the amount was affected by liquidity deposits made by member credit institutions at OP Corporate Bank and an increase in the amount of OP Mortgage Bank's covered bonds from the date of comparison, that has partly been channelled to Group Treasury as investments.

OP Financial Group's and OP Corporate Bank plc's funding position and liquidity is strong.

OP Corporate Bank redeemed on 12 April 2021 a perpetual subordinated loan of EUR 50 million that it issued in March 2005 and redeemed on 30 August 2021 a perpetual subordinated loan of EUR 40 million that it issued in November 2005.

Service development

OP Corporate Bank invests in developing its operations and improving customer experience on an ongoing basis. ICT investments make up a significant portion of the costs of developing these services.

ICT costs of OP Corporate Bank's service development and production maintenance totalled EUR 92 million (86). These include licence fees, purchased services, other external costs related to projects and inhouse work. Development costs totalled EUR 17 million (17). Development costs have not been capitalised (1).

In the spring of 2019, OP Financial Group concluded a five-year agreement with Tata Consultancy Services Ltd (TCS) on the production of ICT services. The agreement involves the ICT infrastructure services used by OP Financial Group, such as mainframe, server and capacity services. The agreement also includes data centre and cloud services. The transfer of ICT infrastructure services to TCS was completed as planned in February 2021.

In February 2021, OP Financial Group signed a new five-year agreement with CGI on producing IT application services in the fields of insurance and centres of excellence, in particular. In May, OP Financial Group signed a new five-year agreement with Accenture on producing IT application services especially in the field of banking. In June, OP Financial Group signed a new six-year agreement with Elisa on the production of workstation and support services. The agreements are part of increasing the effectiveness of and reforming practices and partnerships related to IT operations.

More detailed information on OP Corporate Bank's investments can be found under each business segment's text section in this financial statements bulletin.

Personnel and remuneration

On 31 December 2021, OP Corporate Bank plc had 767 employees (715).

Personnel at period end

	31 Dec 2021	31 Dec 2020
Corporate Banking and Capital Markets	290	277
Asset and Sales Finance Services and Payment Transfers	312	316
Baltics	125	83
Other Operations	40	39
Total	767	715

Variable remuneration applied by OP Financial Group and OP Corporate Bank consisted in 2021 of the performance-based bonus scheme covering all personnel, and the personnel fund. Company-specific targets based on the annual plan and the Group-level strategic targets are taken into account in the metrics used in the performance-based bonus scheme and the personnel fund. In drawing up the remuneration schemes, OP has taken account of the regulation regarding the financial sector's remuneration schemes. More detailed information on variable remuneration is available in OP Corporate Bank's Report by the Board of Directors and Financial Statements 2021 that will be published in week 10.

Corporate governance and management

OP Corporate Bank plc's management system is based on business segments. Management of OP Corporate Bank is part of OP Financial Group's management system.

On 22 March 2021, the Annual General Meeting (AGM) of OP Corporate Bank plc elected OP Financial Group's President and Group Chief Executive Officer Timo Ritakallio as Chair of OP Corporate Bank's Board of Directors. As other Board members, the AGM elected OP Financial Group's Chief Financial Officer Vesa Aho, Helsinki Area Cooperative Bank's Managing Director Jarmo Viitanen, OP Keski-Suomi Managing Director Pasi Sorri and OP Turun Seutu Managing Director Olli-Pekka Saario.

The AGM re-elected KPMG Oy Ab, an audit firm, to act as OP Corporate Bank's auditor for the reporting period 2021, with Juha-Pekka Mylén, APA, acting as the chief auditor, appointed by KPMG Oy Ab.

OP Corporate Bank has published its Corporate Governance Statement in a separate report that is available at www.op.fi.

Proposal by the Board of Directors for profit distribution

As shown in the financial statements of 31 December 2021, the company's distributable funds, which include EUR 214,597,413.35 in profit for the reporting period and taxation-based provisions of EUR 1,300,008,870.48 recognised in transition to IFRS-based financial statements, totalled EUR 2,795,794,958.70. The company's distributable funds totalled EUR 3,127,175,795.76.

The Board of Directors proposes that a dividend of EUR 0.25 be distributed per share, totalling EUR 79,887,853.75, and that following dividend distribution, the remaining amount of EUR 134,709, 559.60 be recognised in the retained earnings account. Following dividend distribution, the company's distributable earnings total EUR 2,715,907,104.95 and its distributable funds total EUR 3,047,287,942.01.

The company's financial position has not undergone any material changes since the end of the reporting period 2021. The company's liquidity is good and will not be jeopardised by the proposed distribution of funds, in the Board of Directors' view.

Events after the reporting period

On 27 January 2022, OP Corporate Bank plc issued a green bond worth EUR 500 million in accordance with its updated Green Bond Framework. The green bond will support the green transition, and proceeds raised with it will be allocated to sustainable corporate lending. Targeted at international responsible institutional investors, the bond is OP Corporate Bank's first senior non-preferred, unsecured green bond, which amounts to EUR 500 million and has a maturity of 5.5 years. Eligible sectors to be funded include renewable energy, green buildings and environmentally sustainable management of living natural resources and land use.

Outlook for 2022

In 2021, both the world and Finnish economy recovered from the crisis caused by the Covid-19 pandemic, and economic growth was exceptionally strong due to a weak reference level. In the last quarter of the year, the economy continued to grow strongly although the strongest recovery was over. Energy raw material prices rose clearly during the latter half of the year, which sped up inflation, reaching the fastest rate in decades in many countries. In Finland, inflation accelerated more moderately than in many other countries. Nevertheless, consumer prices rose at the fastest pace in a decade.

In the financial market, stock prices increased strongly during 2021. Towards the end of the year, inflation acceleration and the central bank's preparation for tightening monetary policy made markets nervous. Short-term interest rates remained low but longer-term rates rose gradually during the year.

The higher number of Covid-19 cases and the resulting restrictions are expected to temporarily slow down economic growth at the beginning of the year. Economic recovery is expected to continue but gradually slow down. An increase in inflation is predicted to level off but remain high throughout the early part of the year. The monetary policy will be gradually tightened but the European Central Bank is not expected to raise its benchmark interest rates during the first half of the year.

Economic uncertainty is expected to remain elevated. The Covid-19 pandemic may unexpectedly slow down economic growth or cause major bottlenecks in production. Even if the economic growth remained sluggish, the inflation period may prove to be longer than anticipated. This may tighten the financing conditions and increase uncertainty in the financial market.

A sudden worsening of the pandemic could affect OP Corporate Bank in three ways: economic uncertainty and uncertainty in the financial and capital markets would increase, a rise in financial difficulties among customers would increase credit risk and decrease the demand for services, and a worsening disease situation could make it more difficult for OP Corporate Bank to run its operations efficiently.

The most significant uncertainties affecting earnings performance due to the Covid-19 pandemic and inflation relate to changes in the interest rate and investment environment and to the developments in impairment losses. In addition, future earnings performance will be affected by the market growth rate and change in the competitive situation.

Full-year earnings estimates for 2022 will only be provided at the OP Financial Group level, in its financial statements bulletin and interim and half-year financial reports.

All forward-looking statements in this financial statements bulletin expressing the management's expectations, beliefs, estimates, forecasts, projections and assumptions are based on the current view of the future development in the business environment and the future financial performance of OP Corporate Bank plc and its various functions, and actual results may differ materially from those expressed in the forward-looking statements.

Formulas for key figures and ratios

The Alternative Performance Measures are presented to illustrate the financial performance of business operations and to improve comparability between reporting periods. The formulas for the used Alternative Performance Measures are presented below.

Alternative Performance Measures

Key figure or ratio	Formula		Description
Return on equity (ROE), %	Financial performance for the reporting period x (days of reporting period/days of reporting period) / Equity (average at beginning and end of period)	x 100	The ratio describes how much return is generated on equity capital as a percentage of equity during the reporting period.
Return on equity (ROE) excluding OP bonuses, %	(Financial performance for the reporting period + OP bonuses after tax) x (days of reporting period/days of reporting period) / Equity (average at beginning and end of period)	x 100	The ratio describes how much return is generated on equity capital as a percentage of equity during the reporting period, excluding OP bonuses paid to owner-customers that are charged to expenses.
Return on assets (ROA), %	Financial performance for the reporting period x (days of reporting period/days of reporting period) / Average balance sheet total (average at beginning and end of reporting period)	x 100	The ratio describes how much return is generated on capital tied up on business during the reporting period.
Return on assets (ROA) excluding OP bonuses, %	(Financial performance for the reporting period + OP bonuses after tax) x (days of reporting period/days of reporting period) / Average balance sheet total (average at beginning and end of reporting period)	x 100	The ratio describes how much return is generated on capital tied up on business during the reporting period, excluding OP bonuses paid to owner-customers that are charged to expenses.
Cost/income ratio, %	Total expenses / Total income	x 100	The ratio describes the ratio of expenses to income. The lower that ratio, the better.
Loan portfolio	Balance sheet item Receivables from customers		The loan portfolio is presented in Receivables from customers in the balance sheet.
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	Impairment loss on receivables x (days of reporting period/days of reporting period) / Loan and guarantee portfolio at period end	x 100	
Deposits	Deposits included in balance sheet item Liabilities to customers		Deposits are presented under Liabilities to customers in the balance sheet.
Coverage ratio, %	Loss allowance / Receivables from customers (on-balance-sheet and off-balance-sheet items)	x 100	The ratio describes how much the amount of expected losses covers the amount of the liability.
Default capture rate, %	New defaulted contracts in stage 2 a year ago / New defaulted contracts during the reporting period	x 100	The ratio describes the effectiveness of the SICR (Significant Increase in Credit Risk) model, in other words how many contracts were in stage 2 before moving to stage 3.

Key indicators based on a separate calculation

Indicator	Formula		Description
Capital adequacy ratio, %	Total capital / Total risk exposure amount	x 100	The ratio describes a credit institution's capital adequacy and shows the ratio of total capital to the total risk exposure amount.
Tier 1 ratio, %	Tier 1 capital / Total risk exposure amount	x 100	The ratio describes a credit institution's capital adequacy and shows the ratio of Tier 1 capital to the total risk exposure amount.
CET1 ratio, %	CET1 capital / Total risk exposure amount	x 100	The ratio describes a credit institution's capital adequacy and shows the ratio of CET1 capital to the total risk exposure amount.
Leverage ratio, %	Tier 1 capital (T1) / Exposure amount	x 100	The ratio describes a credit institution's indebtedness and shows the ratio of Tier 1 capital to the total risk exposure amount.
Liquidity coverage requirement (LCR), %	Liquid assets / Liquidity outflows – liquidity inflows under stressed conditions	x 100	The ratio describes short-term funding liquidity risk that requires the bank to have sufficient, high-quality liquid assets to get through an acute 30-day stress scenario.
Net stable funding ratio (NSFR), %	Available stable funding / Required stable funding	x 100	The ratio describes a long-term liquidity risk that requires the bank to have a sufficient amount of stable funding sources in relation to items requiring stable funding sources. The objective is to secure the sustainable maturity structure of assets and liabilities applying a 12-month time horizon and to restrict excessive resort to short-term wholesale funding.
Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates*	Conglomerate's total capital base / Conglomerate's total minimum capital requirement	x 100	The ratio describes the capital adequacy of the financial conglomerate and shows the ratio of the capital base to the minimum amount of the capital base.
Ratio of non-performing exposures to exposures, %	Non-performing exposures (gross) / Exposures at period end	x 100	The ratio describes the ratio of customers with severe payment difficulties to the entire exposure portfolio. Non-performing exposures refer to receivables that are more than 90 days past due and other receivables classified as risky as well as forborne exposures related to such receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to the original repayment plan to make it easier for them to manage through temporary payment difficulties. Non-performing exposures are presented in gross terms; expected credit losses have not been deducted from them.

Ratio of doubtful receivables to exposures, %	Doubtful receivables (gross) / Exposures at period end	x 100	The ratio describes the ratio of customers with payment difficulties to the entire exposure portfolio. Doubtful receivables refer to receivables that are more than 90 days past due and other receivables classified as risky as well as forbearance related to such receivables or to performing receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to the original repayment plan to make it easier for them to manage through temporary payment difficulties. In addition to non-performing forborne exposures, doubtful receivables include non-performing exposures reclassified as performing ones during their probation period or forbearance measures made into a performing agreement. Loan modifications due to reasons other than the customer's financial difficulties are not classified as doubtful receivables. Doubtful receivables are presented in gross terms; expected credit losses have not been deducted from them.
Ratio of performing forborne exposures to exposures, %	Performing forborne exposures (gross) / Exposures at period end	x 100	The ratio describes the ratio of forborne exposures to the entire exposure portfolio. Performing forborne exposures include forborne exposures reclassified as performing ones during their probation period or forbearance measures made into a performing agreement. Loan modifications due to reasons other than the customer's financial difficulties are not classified as forborne exposures.
Ratio of performing forborne exposures to doubtful receivables, %	Performing forborne exposures (gross) / Doubtful receivables at period end	x 100	The ratio describes the ratio of performing forborne exposures to doubtful receivables that include not only performing forborne exposures but also non-performing exposures. Performing forborne exposures include forborne exposures reclassified as performing ones during their probation period or forbearance measures made into a performing agreement. Loan modifications due to reasons other than the customer's financial difficulties are not classified as forborne exposures.
Ratio of loss allowance (receivables from customers) to doubtful receivables, %	Loss allowance for receivables from customers in the balance sheet / Doubtful receivables at period end	x 100	The ratio describes the ratio of expected losses to all doubtful receivables. Doubtful receivables include non-performing exposures and performing forborne exposures.
Loan and guarantee portfolio	Loan portfolio + guarantee portfolio		The indicator describes the total amount of loans and guarantees given.
Exposures	Loan and guarantee portfolio + interest receivables + unused standby credit facilities		The sum of the loan and guarantee portfolio, interest receivables and unused standby credit facilities (undrawn loans and limits) is used as the basis for proportioning doubtful receivables and non-performing exposures.
Other exposures	Interest receivables + unused standby credit facilities		In addition to the loan and guarantee portfolio, exposures come from interest receivables and unused standby credit facilities (undrawn loans and limits).

*Transitional provisions have been taken into account in the FiCo solvency.

Capital adequacy and solvency

Capital adequacy for credit institutions

Capital base, € million	31 Dec 2021	31 Dec 2020
OP Corporate Bank plc's equity	4,296	2,709
Appropriations less deferred tax liability		1,300
Fair value reserve, cash flow hedge	1	-2
Common Equity Tier 1 (CET1) before deductions	4,297	4,007
Intangible assets	-12	-23
Excess funding of pension liability and valuation adjustments	-35	-26
Planned profit distribution	-80	
Shortfall of ECL minus expected losses	-72	-121
Insufficient coverage for non-performing exposures	-1	
CET1 capital	4,098	3,837
Hybrid capital to which transitional provision is applied		55
Additional Tier 1 capital (AT1)		55
Tier 1 capital (T1)	4,098	3,891
Debenture loans	1,308	1,602
Debentures to which transitional provision applies	141	
Excess of ECL minus expected losses	16	
Tier 2 capital (T2)	1,464	1,602
Total capital	5,562	5,494

Risk exposure amount, € million	31 Dec 2021	31 Dec 2020
Credit and counterparty risk	23,947	24,762
Standardised Approach (SA)	3,118	3,207
Central government and central banks exposure	40	44
Credit institution exposure	5	9
Corporate exposure	2,966	3,091
Retail exposure	52	0
Equity investments		3
Other	55	61
Internal Ratings-based Approach (IRB)	20,829	21,555
Credit institution exposure	1,194	1,029
Corporate exposure	17,242	14,455
Retail exposure	1,940	2,646
Equity investments	63	3,022
Other	391	402
Market and settlement risk (Standardised Approach)	1,380	1,062
Operational risk (Standardised Approach)	1,040	1,171
Valuation adjustment (CVA)	204	138
Total risk exposure amount	26,570	27,132

Ratios, %	31 Dec 2021	31 Dec 2020
CET1 capital ratio	15.4	14.1
Tier 1 ratio	15.4	14.3
Capital adequacy ratio	20.9	20.2

Ratios, fully loaded, %	31 Dec 2021	31 Dec 2020
CET1 capital ratio	15.4	14.1
Tier 1 ratio	15.4	14.3
Capital adequacy ratio	20.4	20.2

Capital requirement, € million	31 Dec 2021	31 Dec 2020
Capital base	5,562	5,494
Capital requirement	2,792	2,850
Buffer for capital requirements	2,770	2,643

The capital requirement comprises the minimum requirement of 8%, the capital conservation buffer of 2.5% and the changing capital conservation buffers by country for foreign exposures.

TABLES

Income statement

EUR million	Notes	Q1–4 2021	Q1–4 2020	Q4 2021	Q4 2020
Net interest income	3	412	322	181	80
Net commissions and fees	4	31	23	6	12
Net investment income	5	168	150	40	36
Other operating income		49	29	25	9
Total income		**661**	**523**	**252**	**138**
Personnel costs		72	62	21	19
Depreciation/amortisation		12	14	4	3
Other expenses	6	236	163	87	39
Total expenses		**320**	**240**	**112**	**61**
Impairments loss on receivables	7	-74	-53	-49	12
OP bonuses to owner-customers			-2		0
Earnings before tax		**267**	**228**	**91**	**89**
Income tax expense		52	46	18	18
Profit for the financial year		**215**	**182**	**73**	**70**

Statement of comprehensive income

EUR million	Notes	Q1–4 2021	Q1–4 2020	Q4 2021	Q4 2020
Profit for the financial year		**215**	**182**	**73**	**70**
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		4	-2	4	-3
Items that may be reclassified to profit or loss					
Change in fair value reserve					
Measurement at fair value		28	31	11	26
Cash flow hedge		-4	2	0	1
Income tax					
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		-1	0	-1	1
Items that may be reclassified to profit or loss					
Measurement at fair value		-6	-6	-2	-5
Cash flow hedge		1	0	0	0
Total comprehensive income for the financial year		**238**	**207**	**85**	**90**

Balance sheet

EUR million	Notes	31 Dec 2021	31 Dec 2020
Cash and cash equivalents		32,789	21,764
Receivables from credit institutions		13,419	11,248
Derivative contracts	14	3,712	5,352
Receivables from customers		26,236	24,461
Investment assets		17,373	15,834
Intangible assets		12	24
Property, plant and equipment (PPE)		5	4
Other assets		1,274	1,094
Tax assets			26
Total assets		**94,820**	**79,809**
Liabilities to credit institutions		42,660	28,888
Derivative contracts		2,669	4,274
Liabilities to customers		18,357	16,403
Debt securities issued to the public	8	22,630	21,931
Provisions and other liabilities		1,874	1,654
Tax liabilities		339	330
Subordinated liabilities		1,994	2,309
Total liabilities		**90,524**	**75,789**
Equity capital			
Share capital		428	428
Fair value reserve	9	42	22
Other reserves		1,019	1,019
Retained earnings		2,807	2,551
Total equity capital		**4,296**	**4,020**
Total liabilities and equity capital		**94,820**	**79,809**

Statement of changes in equity

EUR million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total equity capital
Balance at 31 December 2019	**428**	**-4**	**1,019**	**1,180**	**2,623**
IFRS adjustments				1,190	**1,190**
Balance at 1 January 2020	**428**	**-4**	**1,019**	**2,370**	**3,813**
Total comprehensive income for the financial year		26		180	**207**
Profit for the financial year				182	**182**
Other comprehensive income		26		-2	**24**
Balance at 31 December 2020	**428**	**22**	**1,019**	**2,551**	**4,020**

EUR million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total equity capital
Balance at 1 January 2021	**428**	**22**	**1,019**	**2,551**	**4,020**
Total comprehensive income for the financial year		20		218	**238**
Profit for the financial year				215	**215**
Other comprehensive income		20		4	**23**
OP Corporate Bank plc's partial demerger 29 Nov 2021				-13	**-13**
Other*				51	**51**
Balance at 31 December 2021	**428**	**42**	**1,019**	**2,807**	**4,296**

* The Baltic subsidiaries OP Finance AS (Estonia), OP Finance SIA (Latvia) and AB OP Finance (Lithuania) merged into their parent company OP Corporate Bank plc on 31 October 2021 through a cross-border merger. The merger difference of EUR 51 million was recognised in retained earnings.

Cash flow statement

EUR million	Q1–4 2021	Q1–4 2020
Cash flow from operating activities		
Profit for the financial year	215	182
Adjustments to profit for the period	497	-117
Increase (-) or decrease (+) in operating assets	**-5,453**	**-5,139**
Receivables from credit institutions	-2,146	-3,032
Derivative contracts	-68	-31
Receivables from customers	-1,088	-694
Investment assets	-1,977	-942
Other assets	-173	-441
Increase (+) or decrease (-) in operating liabilities	**15,441**	**13,633**
Liabilities to credit institutions	13,275	13,456
Derivative contracts	225	-263
Liabilities to customers	1,954	390
Provisions and other liabilities	-13	51
Income tax paid	-23	-8
Dividends received	3	6
A. Net cash from operating activities	**10,680**	**8,556**
Cash flow from investing activities		
Disposal of subsidiaries, net of cash disposed		4
Purchase of PPE and intangible assets	1	-2
Proceeds from sale of PPE and intangible assets		0
B. Net cash used in investing activities	**1**	**2**
Cash flow from financing activities		
Subordinated liabilities, change	-290	978
Debt securities issued to the public, change	833	-950
Dividends paid	0	
Lease liabilities	-1	0
C. Net cash used in financing activities	**541**	**28**
Net change in cash and cash equivalents (A+B+C)	**11,222**	**8,587**
Cash and cash equivalents at period-start	**21,842**	**12,898**
Effect of foreign exchange rate changes	-173	357
Cash and cash equivalents at period-end	**32,891**	**21,842**
Interest received	**694**	**937**
Interest paid	**-509**	**-678**
Cash and cash equivalents		
Liquid assets	32,789	21,764
Receivables from credit institutions payable on demand	102	78
Total	**32,891**	**21,842**

Presentation of cash flow statement items for 2020 has been changed to correspond to presentation under IFRS. Note 1 in the Financial statements bulletin describes transition to the financial statements under IFRS.

Notes

1. Accounting policies, corporate transactions and transition to financial statements under IFRS
2. Segment reporting
3. Net interest income
4. Net commissions and fees
5. Net investment income
6. Other operating expenses
7. Impairment losses on receivables
8. Debt securities issued to the public
9. Fair value reserve after income tax
10. Collateral given
11. Classification of financial assets and liabilities
12. Recurring fair value measurements by valuation technique
13. Off-balance-sheet commitments
14. Derivative contracts
15. Related-party transactions

Note 1. Accounting policies, corporate transactions and transition to financial statements under IFRS

This Financial Statements Bulletin has been prepared in accordance with IAS 34 (Interim Financial Reporting) and with the accounting policies presented in the financial statements bulletin 2021. The general accounting policies are presented in section 2 of this Note.

The Financial Statements Bulletin is based on unaudited information. Given that all figures in the Financial Statements Bulletin have been rounded off, the sum of single figures may differ from the presented sum total.

The Financial Statements Bulletin is available in Finnish, English and Swedish. The Finnish version is official that will be used if there is any discrepancy between the language versions.

1. Corporate transactions and transition to IFRS financial statements

1.1 Subsidiary mergers

On 10 February 2021, OP Corporate Bank plc's Board of Directors approved a merger plan whereby the Baltic subsidiaries OP Finance AS (Estonia), OP Finance SIA (Latvia) and AB OP Finance (Lithuania) will merge into their parent company OP Corporate Bank plc on 31 October 2021 through a cross-border merger. The merger difference of EUR 51 million was recognised in retained earnings. In the merger, the following balance sheet items were transferred to OP Corporate Bank plc:

€ million	31 Oct 2021
Assets	
Cash and cash equivalents	6
Receivables from customers	758
Receivables from credit institutions*	-562
Investment assets*	-12
Intangible assets	0
Property, plant and equipment	1
Total assets	192

*Items between OP Corporate Bank plc and its Baltic subsidiaries.

€ million	31 Oct 2021
Liabilities and equity	
Equity	
Retained earnings	51
Liabilities	
Liabilities to credit institutions	133
Provisions and other liabilities	8
Total liabilities and equity	**192**

1.2 Sale of the subsidiaries' shares

On 30 November 2021, OP Corporate Bank plc sold the entire share capital of OP Custody Ltd to OP Cooperative for EUR 21 million. On 19 October 2021, the Finnish Financial Supervisory Authority gave OP Cooperative permission for the acquisition of the company's shares in a manner required by chapter 6a, section 2 and subsection 2 of the Act on Investment Services (747/2012) and stated that it had no comment or cause for complaint on account of the sale of the shares. The capital gain of EUR 18 million was recognised for the Corporate Banking and Capital Markets segment.

1.3 OP Corporate Bank plc's partial demerger

OP Corporate Bank plc demerged in such a way that some of its assets and liabilities transferred to OP Insurance Holding Ltd without the liquidation procedure. The demerger was a partial demerger as referred to in the Limited Liability Companies Act.

In the partial demerger on 29 November 2021, OP Corporate Bank plc's non-life insurance business conducted through Pohjola Insurance Ltd was transferred to OP Insurance Holding Ltd in its entirety, including the related assets and liabilities. All other OP Corporate Bank plc's business, Treasury and Corporate Banking, remained with OP Corporate Bank plc. A total of 2,800,000 new shares of OP Insurance Holding Ltd were given as the demerger consideration to the demerging company's sole shareholder OP Cooperative.

All subsidiary shares related to the transferring non-life insurance business, a total of EUR 1,010 million, were transferred to OP Insurance Holding Ltd. Since the transfer of liabilities in respect of those transferring to OP Insurance Holding Ltd requires creditor approval and since obtaining such approval may in practice be hard in administrative terms, the transfer of the liabilities was performed in such a way that Insurance Holding Ltd and OP Corporate Bank plc established a debt relationship between each other, under which the debt terms and conditions are essentially consistent with the terms and conditions of the original debts to be transferred in terms of their maturity and interest payable on the debt. A loan of EUR 997million was granted to OP Insurance Holding Ltd. In addition, retained earnings worth EUR 13 million were transferred to OP Insurance Holding Ltd. On 30 November 2021, OP Insurance Holding Ltd merged into OP Cooperative through a subsidiary merger.

1.4 Cessation of OP Corporate Bank Group and OP Corporate Bank plc's transition to the preparation of the financial statements under IFRS

OP Corporate Bank plc prepared its 2020 consolidated financial statements based on the IFRS and the parent company's financial statements 2020 based on national legislation. As a result of the structural arrangements carried out in 2021, OP Corporate Bank plc does not constitute a reporting group under IFRS. OP Corporate Bank Group's Q1–Q3/2021 interim report was published in accordance with IAS 34 Interim Financial Reporting and the accounting policies presented in the 2020 financial statements bulletin.

OP Corporate Bank plc (formerly the parent company of OP Corporate Bank Group) will start preparing its interim reports and financial statements under the International Financial Reporting Standards (IFRS). IASs, IFRSs and SIC and IFRIC interpretations are applied effective on 31 December 2021 are applied to the preparation of the financial statements for 2021. The International Financial Reporting Standards refer to standards and their interpretations adopted in accordance with Regulation (EU) No. 1606/2002 of the European Parliament and of the Council. OP Corporate Bank's notes also conform to the requirements of Finnish accounting and company legislation that complement IFRS regulations.

In its prior financial years, OP Corporate Bank plc (formerly the parent company of OP Corporate Bank Group) applied the guidelines on the preparation of the financial statements based on national regulation and disclosed information in the financial statements according to the Act on Credit Institutions, the Ministry of Finance Decree on the Financial Statements and Consolidated Financial Statements of a Credit Institution and Investment Firm, the Accounting Act and the set of the Financial Supervisory Authority's (FIN-FSA) regulations and guidelines governing financial sector accounting, financial statements and the report by the board of directors.

Based on the FIN-FSA regulations and guidelines, OP Corporate Bank plc has reported financial assets and liabilities under IFRS 9 since the adoption of the standard on 1 January 2018. Section 6 Financial instruments in the accounting policies describes in greater detail the classification of financial instruments in accordance with IFRS 9.

1.5 IFRS reconciliation statements

OP Corporate Bank plc's IFRS reconciliation statements are presented below. The IFRS adjustments made in connection with the transition are described verbally under the tables.

IFRS: Opening Balance 1 Jan 2020

€ million	Additional information: 1.7 IFRS adjustments	FAS 31 Dec 2019	IFRS adjustments	IFRS 1 Jan 2020
Cash and cash equivalents		11,910		11,910
Receivables from credit institutions		9,126		9,126
Derivative contracts		4,852		4,852
Receivables from customers		23,803		23,803
Investment assets	1.7.5 & 1.7.6 & 1.7.7	14,842	-98	14,743
Intangible assets	1.7.4	34	1	35
Property, plant and equipment	1.7.2 & 1.7.5	4	-1	3
Other assets	1.7.3 & 1.7.6	654	0	654
Tax assets	1.7.3	26	13	39
Total assets		**65,252**	**-85**	**65,166**
Liabilities to credit institutions		15,334		15,334
Derivative contracts		3,852		3,852
Liabilities to customers		16,013		16,013
Debt securities issued to the public	1.7.6	22,860	-101	22,759
Provisions and other liabilities	1.7.2 & 1.7.3 & 1.7.6	1,759	-2	1,757
Tax liabilities	1.7.1 & 1.7.3 & 1.7.4 & 1.7.6 & 1.7.7	1	299	299
Subordinated liabilities		1,339		1,339
Total liabilities		**61,158**	**196**	**61,353**
Appropriations	1.7.1	1,471	-1 471	
Equity				
Share capital		428		428
Fair value reserve		-4		-4
Other reserves		1,019		1,019
Retained earnings		1,180	1,190	2,370
Total equity		**2,623**	**1,190**	**3,813**
Total liabilities and equity		**65,252**	**-85**	**65,166**

IFRS: Income Statement 1 Jan–31 Dec 2020

€ million	Additional information: 1.7 IFRS adjustments	FAS 1 Jan–31 Dec 2020	IFRS adjustments	IFRS 1 Jan–31 Dec 2020
Net interest income	1.7.2 & 1.7.6	321	1	322
Net commissions and fees		23		23
Net investment income	1.7.6 & 1.7.7	153	-3	150
Other operating income	1.7.5	27	2	29
Total income		**523**	**0**	**523**
Personnel costs	1.7.3	62	0	62
Depreciation/amortisation and impairment loss	1.7.2 & 1.7.4 & 1.7.5	13	1	14
Other operating expenses	1.7.2	164	-1	163
Total expenses		**239**	**1**	**240**
Appropriations	**1.7.1**	**-154**	**154**	
Impairment loss on receivables		-53		-53
OP bonuses to owner-customers		-2		-2
Earnings before tax		**75**	**153**	**228**
Income tax		15	31	46
Profit for the financial year		**60**	**123**	**182**

IFRS: Statement of comprehensive income 1 Jan–31 Dec 2020

€ million	FAS 1 Jan–31 Dec 2020	IFRS adjustments	IFRS 1 Jan–31 Dec 2020
Profit for the financial year	**60**	**123**	**182**
Items reclassified to the income statement			
Gains/(losses) arising from remeasurement of defined benefit plans		-2	-2
Items that may later be reclassified to the income statement			
Change in fair value reserve			
On fair value measurement		31	31
On cash flow hedge		2	2
Income tax			
On items not reclassified to the income statement			
On gains/(losses) arising from remeasurement of defined benefit plans		0	0
On items that may later be reclassified to the income statement			
On fair value measurement		-6	-6
On cash flow hedge		0	0
Total comprehensive income for financial year	**60**	**147**	**207**

IFRS: Opening Balance 1 Jan 2021

€ million	Additional information: 1.7 IFRS adjustments	FAS 31 Dec 2020	IFRS adjustments	IFRS 1 Jan 2021
Cash and cash equivalents		21,764		21,764
Receivables from credit institutions		11,248		11,248
Derivative contracts		5,352		5,352
Receivables from customers		24,461		24,461
Investment assets	1.7.5 & 1.7.6	15,906	-72	15,834
Intangible assets	1.7.4	23	1	24
Property, plant and equipment	1.7.2	1	3	4
Other assets	1.7.3 & 1.7.6	1,097	-2	1,094
Tax assets	1.7.3	13	14	26
Total assets		**79,865**	**-56**	**79,809**
Liabilities to credit institutions		28,888		28,888
Derivative contracts		4,274		4,274
Liabilities to customers		16,403		16,403
Debt securities issued to the public	1.7.6	22,003	-72	21,931
Provisions and other liabilities	1.7.2 & 1.7.3 & 1.7.6	1,654	0	1,654
Tax liabilities	1.7.1 & 1.7.3 & 1.7.4 & 1.7.6	1	329	330
Subordinated liabilities		2,309		2,309
Total liabilities		**75,531**	**258**	**75,789**
Appropriations	1.7.1	1,625	-1 625	
Equity				
Share capital		428		428
Fair value reserve		22		22
Other reserves		1,019		1,019
Retained earnings		1,240	1,311	2,551
Total equity		**2,709**	**1,311**	**4,020**
Total liabilities and equity		**79,865**	**-56**	**79,809**

Retained earnings

€ million	Additional information: 1.7 IFRS adjustments	1 Jan 2020	31 Dec 2020
Retained earnings under FAS		**1,180**	**1,240**
Loan loss provision (Appropriations)	1.7.1	956	1,058
Accumulated depreciation difference (Appropriations)	1.7.1	220	243
IFRS 16 Leases	1.7.2	0	0
IAS 19 Employee benefits	1.7.3	12	10
IAS 38 Intangible assets	1.7.4	1	0
IAS 40 Investment property	1.7.5	-1	0
Other	1.7.6 & 1.7.7	2	0
Retained earnings under IFRS		**2,370**	**2,551**

Earnings for 2021 by quarter

OP Corporate Bank plc's earnings for 2021 by quarter under IFRS are presented below.

€ million	Q1–3/2021	Q2/2021	Q3/2021	Q4/2021	Q1–4/2021	Q1–4/2020
Net interest income	77	73	81	181	412	322
Net commissions and fees	13	7	5	6	31	23
Net investment income	49	47	32	40	168	150
Other operating income	11	7	7	25	49	29
Total income	**150**	**134**	**125**	**252**	**661**	**523**
Personnel costs	16	19	15	21	72	62
Depreciation/amortisation and impairment loss	3	3	3	4	12	14
Other operating expenses	67	45	37	87	236	163
Total expenses	**87**	**67**	**55**	**112**	**320**	**240**
Impairment loss on receivables	2	10	-37	-49	-74	-53
OP bonuses to owner-customers	0	0	0	0	0	-2
Earnings before tax	**65**	**77**	**33**	**91**	**267**	**228**
Income tax	12	12	10	18	52	46
Profit for the financial year	**53**	**66**	**23**	**73**	**215**	**182**

1.6 Changes in presentation

In its prior financial years, OP Corporate Bank plc applied the guidelines on the preparation of the financial statements based on national regulation and presented income statement and balance sheet items in accordance with national legislation in force at any given time. The names and contents of income statement and balance sheet items presented according to national legislation differ from the names and contents of such items presented under IFRS. The above reconciliation statements comply with IFRS-based presentation.

Below is a description of key changes in presentation between income statement and balance sheet items presented under national legislation and the corresponding items presented in the reconciliation statement under IFRS.

In its financial statements prepared under national regulation, OP Corporate Bank plc has presented Deferred income and advances paid as a separate balance sheet item. In the reconciliation statement, these are included in Other assets on the balance sheet.

In its financial statements prepared under national regulation, OP Corporate Bank plc has presented Tax assets under the balance sheet item Other assets. In the reconciliation statement, these are included in Tax assets on the balance sheet.

In its financial statements prepared under national regulation, OP Corporate Bank plc has presented certain liabilities held for trading under the balance sheet item Derivative contracts and other liabilities held for trading. In the reconciliation statement, these items are presented in the balance sheet item Provisions and other liabilities as well as Tax liabilities.

In its financial statements prepared under national regulation, OP Corporate Bank plc has presented Tax liabilities under the balance sheet item Other liabilities. In the reconciliation statement, these are included in Tax liabilities on the balance sheet.

In its financial statements prepared under national regulation, OP Corporate Bank plc has presented OP bonuses paid to customers under the income statement item Commission expenses. In the reconciliation statement, these are included in OP bonuses to owner-customers in the income statement.

In its prior financial years, OP Corporate Bank plc presented, based on national guidelines, items concerning income from hedge accounting in the Net income from hedge accounting item. In the reconciliation statement and according to IFRS, these are presented under Net interest income.

OP Corporate Bank plc leases out moveable capital assets, real property and other premises to its customers. In its financial statements prepared under national regulation, OP Corporate Bank plc has presented assets leased out under the balance sheet item Lease assets. Lease income are presented in Net lease income under Net interest income. Capital gains or losses on lease assets are presented under Depreciation/amortisation and impairment loss in the income statement. In the IFRS-compliant financial statements, OP Corporate Bank classifies leased contracts as finance leases and presents the contract asset in the Receivables from customers item on the balance sheet. In the income statement, finance income from leases is presented under Net interest income and lease fees under Net commissions and fees. In the reconciliation statement, these items are presented in items presented under IFRS.

1.7 IFRS adjustments

1.7.1 Appropriations

In its prior financial years, OP Corporate Bank plc recognised provisions permitted by national tax laws in appropriations. In prior financial years, OP Corporate Bank plc recognised the depreciation difference and loan loss provision in tax-based provisions. The depreciation difference under appropriations on the balance sheet in prior financial years includes the accumulated difference between depreciation made and planned depreciation. According to the tax law, a deposit bank may deduct a loan loss provision made during the tax year, the amount of which accounts for a maximum of 0.6% of the total amount of receivables at the end of the tax year. In addition, the total amount of non-reversed loan loss provisions made during the tax year and earlier may account for a maximum of 5% of the total amount of receivables at the end of the tax year. In its prior financial years, OP Corporate Bank plc has recognised a loan loss provision permitted by the tax law.

As a result of the transition to IFRS reporting, such taxation-based provisions will not be recognised. Change in the taxation-based provisions presented under appropriations in the 2020 income statement have been reversed in the transition to IFRS reporting and the corresponding the reversal reversed portion has been recognised in equity and deferred tax liabilities. In the IFRS transition, OP Corporate Bank plc recognised the depreciation difference previously recognised on the balance sheet and the loan loss provision under Retained earnings in the equity. Deferred tax liability of EUR 325 million with respect to tax-based provisions was transferred to Tax liabilities on the opening balance of 1 January 2021. A total of EUR 1.3 billion recognised in retained earnings were recognised in the appropriations in the balance sheet in the IFRS transition.

1.7.2 IFRS 16 Leases

Recognition of leased right-of-use assets

OP Corporate Bank plc classifies leases under IFRS 16 and at the inception of the lease it assesses whether the contract concerned is a lease or contains a lease. Leased right-of-use assets are presented in PPE assets and are mainly derecognised during the lease term. The corresponding lease liability is presented in other liabilities and the related interest expenses are presented in net interest income. Service charges related to leases, which are separated from the lease amount, are presented in other operating expenses. Separating the service charge is performed by right-of-use asset class. OP Corporate Bank plc applies entry concessions allowed for lessors. Expenses of low-value and short-term leases for the financial year are recognised in other operating expenses. A more detailed description of accounting for lease right-of-use assets can be found in section 2.10 Leases in the accounting policies and in Note 21 Leases in the financial statements 2021 to be published in week 10.

In its prior financial years, OP Corporate Bank plc recognised lease expenses in other operating expenses, in accordance with national legislation.

In its transition to IFRS, OP Corporate Bank plc applies C5(a) of IFRS 16 retrospectively to each prior reporting period, in accordance with the IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. In its transition to IFRS reporting, OP Corporate Bank presents leases under IFRS 16 retrospectively adjusted for 2020.

Recognition of leased assets

On the date of inception, OP Corporate Bank plc classifies leased assets as finance leases or operating leases, in accordance with IFRS 16, depending on the substance of the transaction. Assets leased under a finance lease are recognised as receivables from customers on the balance sheet, to the amount equal to the net investment in the lease. Finance income from the lease is recognised in interest income based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease. A more detailed description of accounting for lease assets can be found in section 2.10 Leases in the accounting policies and in Note 21 Leases in the financial statements 2021 to be published in week 10.

In its prior financial years, OP Corporate Bank plc recognised leased assets in Lease assets on the balance sheet, in accordance with national legislation. Lease income from leased assets less planned depreciation on the lease assets has been recognised under Net lease income.

1.7.3 IAS 19 Employee benefits

Expenses arising from pension plans are recognised under personnel costs in the income statement. Contributions under defined contribution plans are paid to the insurance company and charged to expenses for the financial year to which they relate. The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation on the balance sheet date less the fair value of the plan assets of OP Bank Group Pension Foundation and other acceptable insurance. Pension costs of the defined benefit plans are charged to expenses over the employees' expected working lives on the basis of calculations performed by authorised actuaries. Items resulting from remeasurements of the net defined benefit liability are recognised in other comprehensive income in the period they occur. Remeasurements of the net defined benefit liability recognised in other comprehensive income will not be reclassified to income statement in later financial periods. A more detailed description of accounting for pension plans can be found in section 2.11 Employee benefits in the accounting policies and in Note 27 Provisions and other liabilities in the financial statements 2021 to be published in week 10.

In its prior financial years, OP Corporate Bank plc recognised expenses arising from pension plans under Personnel costs in the income statement, in accordance with national legislation.

1.7.4 IAS 38 Intangible assets

The development costs of internally generated intangible assets (software) are capitalised from the time when they can be determined reliably, completing the asset is technically feasible and the asset can be used or sold and it has been demonstrated that the software will generate future economic benefit. The capitalised expenditure includes, for example, licence fees, purchased services, other external costs related to projects and inhouse work. The asset will be amortised from the time it is ready for use. In accordance with IAS 38, OP Corporate Bank Group has capitalised the intangible right of the share of own work in acquisition cost insofar as the share of own work has fulfilled the IAS 38 criteria for an intangible asset. In its financial statements based on national legislation, OP Corporate Bank plc has not in its prior financial years capitalised all of its own work at cost of an intangible asset. In the transition to the financial statements under IFRS, the carrying amount of OP Corporate Bank plc's intangible assets increased by EUR 1 million. A more detailed description of accounting for intangible rights can be found in section 2.8 Intangible assets in the accounting policies and in Note 19 Intangible assets in the financial statements 2021 to be published in week 10.

1.7.5 IAS 40 Investment property

OP Corporate Bank plc applies IAS 40 to measure investment property at fair value after initial recognition. Investment property is initially recognised at cost which includes transaction costs. Any changes in fair value are recognised under Net investment income in the income statement. A more detailed description of accounting for investment property can be found in section 2.7 Investment property in the accounting policies and Note 18 Investment assets in the financial statements 2021 to be published in week 10.

In its prior financial years, OP Corporate Bank plc measured investment property at cost according to national legislation and recognised related depreciation according to plan.

1.7.6 OP Corporate Bank's own bonds and notes

In its trading portfolio, OP Corporate Bank plc has its own bonds it has repurchased. In its prior financial years, OP Corporate Bank plc eliminated these internally acquired items within OP Corporate Bank Group. These bonds have been included in OP Corporate Bank plc's financial statements based on national legislation. In its transition to the financial statements under IFRS, OP Corporate Bank plc recognised eliminations of its own bonds in the opening balance of 1 January 2020, as follows: Investment assets decreased by EUR 100 million, Other asset by EUR 6 million, Debt securities issued to the public by EUR 101 and Provisions and other liabilities by EUR 6 million. In the income statement of the transition year 2021, Net investment income decreased by EUR 1 million and Net interest income by EUR 0.3 million as a result of eliminations. In future, OP Corporate Bank plc will eliminate the effect of the bonds and notes in its IFRS-compliant financial statements on the balance sheet and income statement items.

1.7.7 Calculated share of profit of funds

In its transition to the financial statements under IFRS, OP Corporate Bank plc has adjusted the measurement of the share of profit of individual funds to correspond to the IFRS-compliant calculation principle. In the transition to IFRS, OP Corporate Bank plc has deducted the calculated 2-million euro share of the funds' profit from Net investment income.

2. OP Corporate Bank plc's accounting policies

General

OP Corporate Bank is one of the leading corporate banks in Finland. OP Corporate Bank has a well-established and broad customer base consisting of companies and institutions to which it provides an extensive range of banking services. In addition, OP Corporate Bank acts as the central bank for OP Financial Group's cooperative banks.

OP Corporate Bank plc belongs to OP Financial Group, which consists of 121 cooperative banks and their central cooperative, OP Cooperative, with its subsidiaries. OP Financial Group's member credit institutions comprise OP Corporate Bank plc, Helsinki Area Cooperative Bank, OP Retail Customers plc and OP Cooperative's member cooperative banks.

In accordance with the Act on the Amalgamation of Deposit Banks, the member credit institutions, OP Corporate Bank included, and OP Cooperative are ultimately jointly and severally liable for each other's debts and commitments. If a member credit institution's own capital is depleted to such a low level owing to losses that the criteria, specified in the Act, for being placed in liquidation are fulfilled, OP Cooperative has the right to collect from its member credit institutions extra contributions on the basis of the combined balance sheets previously adopted.

OP Corporate Bank is domiciled in Helsinki and the address of its registered office is Gebhardinaukio 1, FI-00510 Helsinki. The postal address of its registered office is P.O. Box 308, FI-00013 OP. A copy of OP Corporate Bank plc's financial statements is available at www.op.fi or the company's registered office.

OP Corporate Bank's parent company is OP Cooperative and OP Corporate Bank's accounts are included in its consolidated financial statements.

Copies of the financial statements of OP Cooperative are available at the following address: Gebhardinaukio 1, FI-00510 Helsinki. OP Financial Group's financial statements are available at www.op.fi or the company's registered office at Gebhardinaukio 1, FI-00510 Helsinki.

The Board of Directors of OP Corporate Bank approved the financial statements bulletin for issue on 9 February 2022 and the Board of Directors approved the financial statements on 9 February 2022.

2.1 Basis of preparation

These financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), applying IASs, IFRSs and SIC and IFRIC interpretations effective on 31 December 2021. The International Financial Reporting Standards refer to standards and their interpretations adopted in accordance with Regulation (EU) No. 1606/2002 of the European Parliament and of the Council. OP Corporate Bank's notes also conform to the requirements of Finnish accounting and company legislation that complement IFRS regulations.

OP Corporate Bank plc's financial statements were prepared at historical cost, with the exception of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, hedged items in fair value hedging (for hedged risk), derivative contracts and investment property measured at fair value. In addition, defined benefit pension plans are accounted for according to IAS 19.

The financial statements are presented in millions of euro. Number zero in the tables in Notes means that the item contains some balance but it is rounded off to zero. If nothing (blank) is presented in the item, the balance of the item is zero.

OP Financial Group presents Pillar III disclosures in compliance with EU Regulation No. 575/2013 of the European Parliament and of the Council in a separate OP Financial Group Risk and Capital Adequacy Report. A summary of OP Corporate Bank's capital adequacy is presented in OP Corporate Bank's Report by the Board of Directors.

2.2 Critical accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the management to make judgements, estimates and assumptions in the application of the accounting policies. The preparation of financial statements requires making estimates and assumptions about the future and the actual results may differ from these estimates and assumptions. It also requires the management to exercise its judgement in the process of applying the accounting policies.

2.2.1 Expected credit losses

The determination of the measurement models for expected credit losses (ECL) involves several factors requiring management judgement, such as:

- Selection of appropriate ECL models so that they describe the expected credit losses on the contract portfolio as well as possible
- Different assumptions and expert assessments made in the models
- Selection of the estimation methods of the parameters for the ECL models
- Determination of the contract's maturity for non-maturing loans (revolving credit facilities)
- Determination of model risk associated with the quality of the available modelling data and other data
- Proper grouping of contracts into different segments so that their ECL can be calculated using an appropriate model
- Selection of macroeconomic factors in such a way that their changes correlate with the contracts' probability of default
- Forecasting future macroeconomic scenarios and their probabilities
- Extra provisions based on management judgement related to a certain industry due to Covid-19, for example
- Reductions in collateral value made on the basis of the geographical location of collateral based on management judgement

Management judgement has also been used in the assessment of a significant increase in credit risk, such as in:

- The expert assessment used in the assessment of change in relative credit risk associated with personal customers to ensure a true number of contracts that move to stage 2 before moving to stage 3 (so-called default capture rate)

- The selection of the absolute threshold that is based on historical default behaviour and OP Financial Group's credit risk process
- The determination of the length of a period during which the customer must prove proper payment behaviour so that the impairment stage 3 can improve to stage 2 or 1.

The actual measurement of ECL figures is performed using the ECL models without management judgement, except if it is the question of a large corporate exposure in stage 2 or 3 and on the watch list, in which case the ECL is calculated using the cash flow based ECL method based on expert assessment.

Management overlays directly to the ECL figures (post-model adjustments) are intended only for temporary use until an unpredictable event caused by the overlay provision or circumstance could have been taken into account in the ECL models.

The existing ECL models do not take account of the Environmental, Social and Governance (ESG) risks as a separate component. Note 7. Impairment loss on receivables presents calculations of loss allowance.

2.2.2 Fair values of financial instruments

The management must assess when the market for financial instruments is not active. The management must also assess whether an individual financial instrument is actively traded and whether the price obtained from the market is a reliable indication of the instrument's fair value. When the fair value of financial instruments is determined using a valuation technique, management judgement is required to select the applicable valuation technique. Whenever market observable input data is not available for outputs produced by valuation techniques, the management must evaluate how much other information will be used (Note 33 to the financial statements 2021 Recurring fair value measurements by valuation technique).

2.3 Foreign currency translation

OP Corporate Bank's financial statements are presented in euros, which is the company's functional and presentation currency. Non-euro transactions are recognised in euros at the exchange rate quoted on the transaction date or at the average exchange rate of the month of recognition. On the balance sheet date, non-euro monetary balance sheet items are translated into euros at the exchange rate quoted on the balance sheet date. Non-monetary balance sheet items measured at cost are presented at the exchange rate quoted on the transaction date.

The exchange rate differences arising from the translation of non-euro transactions and monetary balance sheet items into euros are recognised as foreign exchange gains or losses under Net investment income in the income statement (Note 5. Net investment income).

2.4 Summary of presentation of income statement items:

Net interest income	Received and paid interest on fixed income instruments, the recognised difference between the nominal value and acquisition value, interest on interest rate derivatives and fair value change in fair value hedging Fees that are regarded as compensation for the risk taken by the bank associated with the financial instrument and as being an integral part of the financial instrument's effective interest rate
Net commissions and fees	Commission income from lending, deposits, payment transactions, securities brokerage, securities issuance, mutual funds, asset management, legal services and guarantees. Commission expenses for lending, payment transactions, securities brokerage, securities issuance, investment management guarantees.
Net investment income	Realised capital gains and losses on financial assets recognised at fair value through other comprehensive income, interest income, currency valuations as well as impairment losses and their reversals. Fair value changes in financial instruments at fair value through profit or loss and dividends and holdings. In addition, interest income and expenses related to financial assets held for trading. Income from loans and receivables recognised at amortised cost, and impairment loss.

	Fair value changes in investment property, rents and other property-related expenses.
Other operating income	Central banking service fees and other operating income
Personnel costs	Wages and salaries, pension costs, social expenses
Other operating expenses	ICT production and development costs, purchased services, costs related to premises, charges of financial authorities, telecommunications, marketing, corporate responsibility and other expenses.
Impairment loss on receivables	Expected credit losses from customers, off-balance-sheet items and notes and bonds as well as final credit losses and their reversals.

2.5 Revenue recognition

2.5.1 Interest income

Interest income and expenses for interest-bearing assets and liabilities are recognised using the effective interest method. More detailed information on the effective interest method can be found in 6.2.1 Amortised cost herein. Interest on receivables with non-settled, due payments is also recognised as revenue. The difference between the receivable's acquisition cost and its nominal value is recognised as interest income and that between the amount received and nominal value of the liability in interest expenses. The difference between the nominal value and the acquisition cost of fixed-rate bonds is recognised as interest income or expenses over the residual term to maturity.

The customer margin of the interest rate cap and interest rate corridor loans would accrue net interest income as the customer pays the additional margin related to the derivative clause (Note 3. Net interest income)

2.5.2 Net commissions and fees

Fees that are not an integral part of the effective interest rate of a financial instrument are accounted for in accordance with IFRS 15 Revenue from Contracts with Customers. Fees and commissions under IFRS 15 are recognised as revenue when a service's agreed performance obligations are transferred to the customer and the key criterion is transfer of control. Commissions and fees are recognised to the amount to which an entity expects to be entitled in exchange of transferring promised services to a customer. Commission expenses are recognised in net commissions and fees on an accrual basis.

In the Corporate Banking and Capital Markets segment, commissions and fees are charged from corporate, institutional and personal customers as well as OP Financial Group's internal actors. Commission income consists of that from lending, securities brokerage and issues, investment research and guarantees. In the Asset and Sales Finance Services and Payment Transfers segment, commissions are charged from personal customers and corporate customers. Commission income consists of that from lending, payment transactions and guarantees. In the Baltics segment, commissions are charged from personal and corporate customers in Estonia, Latvia and Lithuania. Commission income consists of that from lending, payment transactions and guarantees. The abovementioned commission items consist of several fee types whose performance obligations are fulfilled over time or at a point in time, according to the type of the fee. The performance obligations of lending, investment research and guarantee fees are mainly fulfilled over time while other fees at a point in time. The amount of consideration for the services is mainly the list price or a contractually stated price. Revenue from contracts with customers in the financial statements is grouped according to the segments (Note 4. Net commissions and fees).

Dividends are primarily recognised when they are approved by the General Meeting of Shareholders of the distributing company. Dividend income is shown in net investment income.

2.6 Financial instruments

2.6.1 Fair value determination

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (Note 12. Recurring fair value measurements by valuation technique).

The fair value of financial instruments is determined using either prices quoted in an active market or the company's own valuation techniques where no active market exists. The market is deemed to be active if price quotes are easily and regularly available and reflect real and regularly occurring market transactions on an arm's length basis. The current bid price is used as the quoted market price of financial assets.

If the market has a commonly used valuation technique applied to a financial instrument to which the fair value is not directly available, the fair value is based on a commonly used valuation technique and market quotations of the inputs used by the technique.

If the valuation technique is not a commonly used technique in the market, a valuation model created for the instrument in question will be used to determine the fair value. Valuation models are based on widely used measurement techniques, incorporating all factors that market participants would consider in setting a price, and are consistent with accepted economic methodologies for pricing financial instruments.

The valuation techniques used include prices of market transactions, the discounted cash flow method and reference to the current fair value of another instrument that is substantially the same on the balance sheet date. The valuation techniques take account of estimated credit risk, applicable discount rates, the possibility of early repayment and other factors affecting the reliable measurement of the fair value of financial instruments.

The fair values of financial instruments are categorised into three hierarchy levels, depending on the inputs used in valuation techniques:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (Level 3).

If the inputs used to measure fair value are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety at the same level as the lowest level input that is significant to the entire measurement. The significance of inputs has been assessed on the basis of the fair value measurement in its entirety.

It is typical of illiquid instruments that their price calculated using a pricing model differs from the actual transaction price. However, the actual transaction price is the best evidence of the instrument's fair value. The Day 1 profit/loss, based on the difference between the actual transaction price and the price deriving from the pricing model that uses market prices, is recognised in the income statement over the term of the agreement or a shorter period taking account of the product's structure and counterparty. However, the non-recognised amount will be recognised as soon as there is a genuine market price for the instrument or a well-established pricing practice is created in the market. The amount of illiquid financial assets is insignificant in OP Corporate Bank's balance sheet.

2.6.2 Financial assets and liabilities

OP Corporate Bank's financial assets are presented in the 2021 financial statements Note 14. Cash and cash equivalents, 15. Receivables from credit institutions, 16. Derivative contracts, 17. Receivables from customers, 18. Investment assets and 22. Other assets. OP Corporate Bank's financial liabilities are presented in the 2021 financial statements Note 24. Liabilities to credit institutions, 25. Liabilities to customers, 26. Debt securities issued to the public 27. Provisions and other liabilities and 28. Subordinated liabilities.

2.6.2.1. Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest method uses the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, OP Corporate Bank estimates the expected cash flows by considering all the contractual terms of the financial instrument excluding the expected credit losses (ECL). The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. Fees that are an integral part of the rate of a financial instrument include office and origination fees related to loan drawdown and they are amortised over the expected life of the financial instrument or a shorter period if that is appropriate. Fees that are not an integral part of the effective interest rate of a financial instrument and are accounted for in accordance with IFRS 15 include fees charged for servicing a loan, for example.

OP Corporate Bank incorporates the impact of expected credit losses in the estimated future cash flows when calculating the credit-adjusted effective interest rate for financial assets that are considered to be purchased or originated credit-impaired at initial recognition (POCI).

Interest revenue

Interest revenue has been calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

a) purchased or originated credit-impaired financial assets. For those financial assets, OP Corporate Bank applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition
b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets (or that are in stage 3). For those financial assets, OP Corporate Bank applies the effective interest rate to the amortised cost of the financial asset (i.e. to the net carrying amount after the deduction of the expected credit loss).

2.6.2.2. Initial recognition and measurement

At initial recognition, OP Corporate Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Immediately after initial recognition, an expected credit loss allowance of a financial asset will be recognised if the financial asset is measured at amortised cost or at fair value through other comprehensive income. This results in accounting loss recognition for newly originated or newly purchased financial assets in the income statement.

2.6.3 Classification and subsequent measurement of financial assets

OP Corporate Bank classifies financial assets into the following categories:

- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)
- Amortised cost.

2.6.3.1 Loans and notes and bonds

The classification and subsequent measurement of loans and notes and bonds depend on the following factors:

a) OP Corporate Bank's business model for managing the financial assets
b) The contractual cash flow characteristics of the financial asset.

On the basis of these factors, OP Corporate Bank classifies loans and notes and bonds into the following three measurement categories:

1) Financial assets measured at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial asset's carrying amount is adjusted by any allowance for expected credit losses and interest revenue is recognised in interest revenue using the effective interest method.

2) Financial assets recognised at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In addition, the contractual terms of the financial asset specify cash flows occurring on specific dates which are solely payments of principal and interest on the principal amount outstanding. Changes in the fair value are recognised in the fair value reserve. Impairment gains or losses and foreign exchange gains or losses are recognised in profit or loss. When a financial asset

is derecognised, the cumulative profit or loss in the fair value reserve is reclassified from equity to profit or loss in net investment income as a reclassification adjustment. Interest calculated using the effective interest method is recognised in interest income.

3) Financial assets measured at fair value through profit or loss are held for trading or if the financial asset does not meet the criteria for amortised cost or FVOCI. Gains and losses are recognised in net investment income. Interest income and expenses of held-for-trading notes and bonds and derivatives are presented in net investment income since.

Business model

A business model refers to how OP Corporate Bank manages its financial assets in order to generate cash flows. OP Corporate Bank's business model determines whether cash flows will result solely from collecting contractual cash flows or from collecting contractual cash flows and cash flows and by selling a financial asset, or whether the purpose is held for trading. Financial assets within the trading business model are measured through profit or loss. When assessing the business model, OP Corporate Bank takes account of future measures to achieve the objective of the business model. The assessment includes previous experience in collecting cash flows, how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel, how risks are managed and how managers of the business are compensated. For example, OP Corporate Bank holds corporate loans it has granted to collect contractual cash flows. For example, the objective of the business model of OP Corporate Bank's liquidity buffer is to collect contractual cash flows and to sell financial assets.

Change in the business model

Changes in the business model are expected rarely as a result of internal or external changes and they must be significant in terms of OP Corporate Bank's operations. OP Cooperative's Board of Directors decides on changes in the business model. The business model changes in case OP Corporate Bank acquires or transfers a business area or closes down it. The business model change is appropriately documented by the business unit concerned and is handled by Finance and Risk Management to determine the related accounting effects (incl. the effects on the ECL). The change of the objective of the entity's business model must be executed before the date of the reclassification.

The reclassification is applied prospectively from the reclassification date onwards. The reclassification date is the first date of the following reporting period, before which a decision on the reclassification has been made. Prior reporting periods are not adjusted retrospectively.

The table below shows the effects of various reclassifications on accounting:

Initial measurement category	New measurement category	Accounting effect
Amortised cost	FVTPL	Fair value is determined on the reclassification date. Any gain or loss on the difference that may arise between a financial asset previously measured at amortised cost and the fair value is recognised through profit or loss.
FVTPL	Amortised cost	The fair value on the reclassification date becomes a new gross carrying amount. The effective interest rate is determined based on the fair value on the reclassification date.
Amortised cost	FVOCI	Any gain or loss on the difference that may arise between a financial asset previously measured at amortised cost and the fair value is recognised in other comprehensive income. The effective interest rate and the amount of expected credit losses are not adjusted as a result of the reclassification.
FVOCI	Amortised cost	The fair value on the reclassification date becomes a new amortised cost. A gain or loss previously recognised in other comprehensive income is, however, derecognised from equity and recognised to adjust the fair value

		of a financial asset on the reclassification date. The effective interest rate and the amount of expected credit losses are not adjusted as a result of the reclassification.
FVTPL	FVOCI	The fair value on the reclassification date becomes a new carrying amount. The effective interest rate is determined based on the fair value on the reclassification date.
FVOCI	FVTPL	The fair value on the reclassification date becomes a new carrying amount. A gain or loss previously recognised in other comprehensive income is transferred as an adjustment due to the reclassification from equity through profit or loss on the reclassification date.

Cash flow characteristics

When OP Corporate Bank's business model is other than trading, OP Corporate Bank assesses whether contractual cash flows are consistent with a basic lending arrangement. In the basic lending arrangement, contractual cash flows are solely payments or principal and interest on the principal amount outstanding (SPPI) where consideration for the time value of money, credit risk, lending risks and profit margin are typically the most significant elements of interest. The majority of OP Corporate Bank's financial assets are basic lending arrangements.

All loans to personal customers and some corporate loans granted by OP Corporate Bank contain the option for early repayment. The terms and conditions are, however, consistent with the basic lending arrangement because the prepayment amount substantially represents the contractual par amount and accrued (but unpaid) contractual interest, which may include reasonable additional compensation for the early termination of the contract.

OP Corporate Bank uses the SPPI Test solution to test the cash flow characteristics of notes and bonds. On the basis of its test result (pass/fail), the SPPI test is either passed or failed with no further reviews or the Group reviews the cash flow characteristics using OP's internal guidelines before the decision on classification (further review required as the result). The solution identifies various elements in contract terms that affect whether the SPPI definition is satisfied.

When contractual cash flows are exposed, for example, to change in stock prices or a borrower's financial result, this is no basic lending arrangement and such financial assets are measured at fair value through profit or loss. These are typically various mutual fund investments which do not fulfil the definition of equity in the issuer's financial statements under IAS 32.

Embedded derivatives included in financial assets are not separated from the host contract but they are considered in the overall assessment of contractual cash flows.

If OP Corporate Bank has to change its business model for managing financial assets, it may have to reclassify financial assets. The reclassification must be applied prospectively from the reclassification date. Such changes are expected to be very infrequent.

2.6.3.2 Equity instruments

Equity instruments are instruments that evidence a residual interest in the assets of a company after deducting all of its liabilities. These are typically stock investments.

Equity instruments are subsequently measured at fair value through profit or loss.

2.6.3.3 Modification of contractual cash flows

Modifications in the contractual payment terms are made as a normal measure related to the management of customer relationship but also in situations where the customer's repayment capacity has deteriorated. The modification to the loan due to the customer's deteriorated repayment capacity is recognised as forbearance which typically means a moratorium for a limited time. Generally, in these cases, the contractual cash flows of a loan are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that loan. In such a case, OP Corporate Bank recalculates the gross carrying amount of the loan and recognises a profit or loss on the modification in net interest income in the income statement.

Payment modifications are subject to regular monitoring and reporting to the management as an indicator anticipating customers' solvency.

If modifications to the loan terms are significant or the loan is renegotiated, OP Corporate Bank derecognises the original loan and recognises the modified new loan in the balance sheet. The date of renegotiation is consequently considered to be the date of initial recognition for the impairment calculation purposes. This typically means measuring the loss allowance at an amount equal to 12-month expected credit losses. OP Corporate Bank uses internal rating to classify reasons for modifications and severity classes to monitor whether there has been evidence that the new loan recognised has deemed to be credit-impaired at initial recognition. Accordingly, it is recognised as an originated credit-impaired financial asset. This might occur, for example, in a situation in which there was a substantial modification of a distressed asset.

Otherwise, OP Corporate Bank derecognises financial assets when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset to another party and the transfer qualifies for derecognition.

2.6.4 Impairment

Expected credit losses are calculated on all balance sheet items amortised at cost and those recognised at fair value through other comprehensive income (FVOCI) (instruments other than equity instruments) and on off-balance-sheet loan commitments and financial guarantee contracts (Note 7. Impairment loss on receivables). Expected credit losses are recognised at each reporting date, reflecting:

a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
b) the time value of money and
c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2.6.4.1 Classification of contracts into three impairment stages

Contracts are classified into three stages. The different stages reflect credit deterioration since initial recognition.

- Stage 1: contracts whose credit risk has not increased significantly since initial recognition and for which a 12-month ECL is calculated.
- Stage 2: contracts whose credit risk has increased significantly since initial recognition and for which a lifetime ECL is calculated.
- Stage 3: non-performing contracts in 2021 (defaulted contracts in 2020) for which a lifetime ECL is also calculated.

Definition of default

In the IFRS 9 based calculation, OP Corporate Bank applies the same definition of default as in internal credit risk models (IRB). OP Corporate Bank assesses default using its internal rating system based on payment behaviour. For personal customers, the definition of default is applied on a contract-by-contract basis whereas corporate customers are reviewed in terms of a group of connected clients. The customer is classified as a customer in default when the customer’s repayment is considered unlikely, for example when the customer has registered payment default or it has been granted a forbearance in which the present value of the loan decreases by more than 1 per cent. Default extends to all credit obligations of an obligor in default among personal customers when a significant proportion (20%) of personal customer exposures are defaulted. In addition, the contract is defaulted when a payment related to a financial asset is over 90 days past due, at the latest.

The customer’s default ends when it no longer meets the criteria for the definition of default and the subsequent probation period of 6–12 months has ended.

The definition of default is based on Article 178 of Regulation (EU) No 575/2013 (CRR) of the European Parliament and of the Council and on the European Banking Authority’s (EBA) guidelines on the application of the definition of default (EBA/GL/2016/07 and EBA/RTS/2016/06).

Definition of non-performing exposure

The definition of non-performing exposure includes the probation periods of non-performing forborne exposures, in addition to the exposures based on the definition of default used previously before they can be reclassified as performing. On 31 December 2021, OP Corporate Bank changed the non-performing exposure as the criterion for stage 3 impairment classification to replace the previous defaulted exposure. Comparatives have not been restated.

In addition, originated credit-impaired contracts are always within the scope of the lifetime expected credit loss (POCI).

Significant increase in credit risk

The expected credit losses will be calculated for each contract for 12 months or lifetime, depending on whether the instrument's credit risk on the reporting date has increased significantly since initial recognition. Both qualitative and quantitative criteria will be used to assess for each contract whether the credit risk has increased significantly. Forbearance is regarded as a qualitative criterion. Other qualitative factors will consist of various credit risk indicators (e.g. breach of covenants) that will be taken into account in credit rating models or in the assessment of the payment behaviour class.

OP Corporate Bank has included relative and absolute thresholds for the determination of significant quantitative increases in credit risk considering all relevant and supportable information.

A quantitative change is assessed based on the relative change in lifetime PD figures (PD curve). The original lifetime PD curve is calculated on the origination date of the loan taking account of macroeconomic factors. Next, the acceptable natural range of variation is determined for the limits within which the credit risk is not considered to increase significantly during the remaining maturity of the loan. The acceptable range has been modelled separately for personal customers and corporate customers. This yields a so-called threshold value curve. On each reporting date, the current lifetime PD curve is compared to the threshold value curve. If the threshold value is exceeded, the credit risk has increased significantly and a credit loss (calculated for the entire remaining maturity of the loan) is recognised. In addition to this limit of the relative change, a further requirement is that a rating grade has deteriorated since initial recognition so that shifting to the lifetime ECL calculation does not occur only on the basis of the passage of time. In addition, an absolute threshold is used for the weakest rating grades (E+, E, E-, 9.0, 9.5 and 10.0).

In addition to the aforementioned criteria, credit risk of a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due or forbearance has been on the loan.

In the assessment of a significant increase in credit risk, OP Corporate Bank has not applied a transitional rule on the assumption of low credit risk permitted by IFRS 9 to contracts, for which it is not possible without undue cost or effort, to calculate the original lifetime PDs.

OP Corporate Bank monitors regularly how effectively the abovementioned criteria perceive a significant increase in credit risk before contractual payments have been over 30 days past due and that the contracts do not generally move from impairment stage 1 directly to impairment stage 3 and performs the required calibrations to the calculation method of the relative change.

2.6.4.2 Measurement methods

Expected credit losses are mainly measured on a system basis using the PD/LGD method on a contract-specific basis for all personal and corporate customer exposures. Additionally, the cash flow based ECL measurement method based on expert judgement is used for the largest corporate exposures in stage 3.

2.6.4.2.1 PD/LGD method

Expected credit losses are measured using modelled risk parameters with the formula probability of default (PD) x loss given default (LGD) x exposure at default (EAD) for majority of portfolios per contract and they reflect expectations of future credit losses at the reporting date. PD describes probability of default according to the definition of default described above. LGD describes the share of an asset if a borrower defaults. It is affected, for example, by the quantity and type of collateral securities and various financial guarantees. EAD describes the exposure amount at default, including exposure in the balance sheet (capital and accrued interest) and expected use of off-balance-sheet items at default.

The ECL calculation is based on three different scenarios. Risk parameters PD, LGD and EAD are calculated for yearly time buckets in each scenario. Yearly ECL figures are discounted to the reporting date and a probability-weighted ECL is calculated from the figures of different scenarios. The contract's effective interest or its estimate is used as the discount factor. The contract's maximum residual term to maturity is limited to 30 years in the calculation.

The lifetime probability of default (lifetime PD) models for a contract have been prepared separately for personal customers and corporate customers. The PD models are substantially affected by the contract's credit rating, loan age (personal customers) as well as the model's sub-segment, which is determined for corporate customers on the basis the rating model and for personal customers on the basis of the product type. In addition, PD estimates are dependent on macroeconomic factors and their forecasts in each scenario. Change in GDP and real interest rates are used as macroeconomic explanatory factors in the lifetime PD model for corporate exposures. In the lifetime PD model for personal customers, the macroeconomic factors have been divided by segment and a GDP change and the 12-month Euribor rate are used, for example, in home loans, where the effects of

GDP and inflation have been deducted. The variables in revolving credit facilities include change in GDP and the real 3-month Euribor rate (change, for example, in GDP and the 12-month Euribor in home loans and change in the unemployment rate and the 12-month Euribor in revolving credit facilities in 2020). Comparatives have not been changed.

The lifetime LGD consists of the following three components: 1) cure rate, 2) collateral return and 3) non-collateral return. The values of the components depend fundamentally on a product type, industry (companies), collateral type and the time how long the contract has been in default. The estimates for the non-collateral return and the cure rate for impairment stage 3 time-dependent so that they will decrease if the period of default or debt collection increases.

The macroeconomic factors and their forecasts affect the first two components.

The lifetime exposure at default (lifetime EAD) for a contract is based on contractual cash flows, utilisation rate, prepayment rate and maturity model, depending on the product type.

Determining the period of a contract

The period of a contract for promissory notes is a contractual maturity that takes account of repayments under the payment terms. The prepayment model applies to secured promissory notes (excl. default). It does not reduce the contractual maturity but is taken into account as part of the contract's EAD.

Revolving credit facilities (such as credit cards) are contracts valid until further notice and an expected maturity has been modelled for them. The modelled maturity depends on the product type and rating grade, averaging some 15 years.

Forward-looking information

The calculation model includes forward-looking information and macroeconomic scenarios. OP Corporate Bank's economists update macroeconomic scenarios on a quarterly basis and the scenarios are the same that OP Corporate Bank uses otherwise in its financial planning. Macroeconomic scenarios involve 2–3 years of the baseline economic scenarios. After that, the scenario converges towards an economic balance in the long term. In the long-term balance, GDP and some of other variables are calculated using production function methodology. Alternative scenarios around the baseline are defined using the autoregressive model where the paths of each variable with desired probabilities are solved from the joint probability distribution of variables. The probability distribution of the variables is based on economic shocks observed in history and on correlations between the variables. The forecast errors in OP's economic forecast are also taken into account in defining alternative scenarios. Three scenarios are used: baseline, upside and downside. The macroeconomic factors used are GDP growth rate, unemployment rate, investment growth rate, inflation rate, change in the income level, 12-month Euribor rate and real 3-month Euribor. In addition, the house price index is used in LGD models.

Preparing macroeconomic forecasts and projecting them into the future up to 30 years involves a large amount of uncertainty, which is why actual results may differ significantly from the forecasts. OP Corporate Bank has analysed that the relationship of the change in the components of risk parameters and macroeconomic factors used in the ECL calculation is not linear. Accordingly, the macroeconomic forecasts represent OP Corporate Bank's best view of potential scenarios and outcomes.

2.6.4.2.2 Cash flow based ECL method based on customer-specific expert assessment

The target group of customers subject to the expert ECL testing method are R-rated corporate counterparties on the watch list, whose exposures have, in general, been moved to Stage 2 or 3 of ECL calculation. Such expert assessment is performed in connection with a rating or credit decision.

The forward-looking information used in the calculation is part of the credit rating assessment and rating proposal by a credit analyst that cover developments in business, markets, competitive situation and the forecast cash flow. The calculation also takes account of the scenarios describing the effect of macroeconomic variables (upside, baseline and downside), on the basis of which the customer's weighted expected credit loss is calculated. The scenarios used in the PD/LGD model are utilised in the determination of the scenarios.

When the customer included in the ECL measurement based on the customer-specific expert assessment does no longer meet the criteria for default and has been identified and classified as a 'performing' obligor, it is excluded from this method and returns to be included in the ECL measurement based on the normal PD/LGD model.

2.6.4.3 Impairment of notes and bonds

The expected loss on notes and bonds recognised through other comprehensive income is recognised through profit or loss and to adjust the fair value reserve.

OP Corporate Bank uses a model in the calculation of the expected credit loss on notes and bonds that is based on credit rating information.

In the model, credit ratings are sought for purchase lots on the purchase date and the reporting date, and they are converted into PD figures. OP Corporate Bank primarily uses the averages of external credit ratings and secondarily internal credit ratings, in case no external credit ratings exist.

The PDs correspond to the actual historical default rates by credit rating for each period from the date of issuing the credit rating. The historical data, for which the determined equivalence is based on, is comprehensive and on a long-term basis. The LGDs also correspond to the studied historical actuals by investment class/collateral type (seniority, covered bond status) and these are not separately assessed on an issuer- or investment-specific basis. Because external credit ratings measure total credit risk (ECL), not PD, the LDG in these cases affect only the division of the ECL between PD and LGD components.

2.6.4.3.1 Classification of notes and bonds into impairment stages

Investments whose 12-month PD has doubled in such a way that the change is at least 0.2 percentage points, an investment is subject to forbearance measures or its payments are over 30 days past due are transferred to stage 2. Investments related to an issuer in default are classified into stage 3 if its payments are over 90 days past due or if the customer is a default customer.

2.6.4.4 Impairment of off-balance-sheet items

Several products provided by OP Corporate Bank include a limit, credit facility or another off-balance-sheet loan commitment as a standard feature or a feature in some stage of the product lifecycle. For example, revolving credit facilities, such as credit cards and accounts with credit facility, include both a loan and an undrawn commitment component. Moreover, OP Corporate Bank is an issuer in various guarantee contracts, such as financial guarantees and other commercial guarantees or guarantees given to authorities, to all of which IFRS 9 impairment rules apply. For loan commitments and financial guarantee contracts, the date that OP Corporate Bank becomes a party to the irrevocable commitment shall be considered to be the date of initial recognition for the purposes of applying the impairment requirements. Accordingly, only OP Corporate Bank's binding items are taken into account in the calculation of expected credit losses.

The expected credit loss is calculated for these items using the same principles as for loans. Likewise, increases in significant credit risk are assessed on the same grounds. OP Corporate Bank models EAD for such products that forecasts exposure at default. It includes both the utilisation rate and credit conversion factor. In addition, a maturity model is applied to contracts valid until further notice. The model takes account of cases where OP Corporate Bank has a contractual ability to demand repayment and cancel the undrawn commitment but it does not limit OP Corporate Bank's exposure to credit losses during the contractual notice period.

2.6.4.5 Recognition of expected credit losses

OP Corporate Bank mainly recognises a loss allowance for expected credit losses on a loan at carrying amount in a separate account. For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. For products that include both a loan (i.e. financial asset) and an undrawn commitment (i.e. loan commitment) component and OP Corporate Bank cannot separately identify the expected credit losses on the loan commitment component from those on the financial asset component, the expected credit losses on the loan commitment are recognised together with the loss allowance for the financial asset.

2.6.4.6 Write-off

A write-off constitutes a derecognition event. When OP Corporate Bank has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof, it directly reduces the gross carrying amount of the financial asset.

A loan is derecognised when collateral securities have been realised or when the final meeting of the bankruptcy estate has been held, debt rescheduling or financial restructuring has come to an end or when collection measures have ended. Payments received after the derecognition are recognised as an adjustment to impairment losses on receivables.

2.6.5 Cash and cash equivalents

Cash and cash equivalents consist of cash and receivables from credit institutions repayable on demand (Note 14. Cash and cash equivalents in the 2021 financial statements).

2.6.6 Classification and subsequent measurement of financial liabilities

Financial liabilities comprise deposits and other liabilities to credit institutions and customers, debt securities issued to the public and other financial liabilities.

Financial liabilities are classified at amortised cost using the effective interest method, except for derivative liabilities measured at fair value through profit or loss. Liabilities held for trading also include obligations to deliver securities to the counterparty which have been sold but which are not owned at the time of selling (short selling).

Upon initial recognition, OP Corporate Bank has not designated financial liabilities as measured at fair value through profit or loss.

OP Corporate Bank derecognises a financial liability (or a part of a financial liability) when it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between OP Corporate Bank and original lenders of financial liabilities with substantially different terms must be accounted for as an extinguishment of the original financial liability. In such a case, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, the amortised cost of the modified financial liability will be recalculated by discounting the modified contractual cash flows using the original effective interest rate. Changes in the amortised cost of the financial liability is recognised through profit or loss. Costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability. OP Corporate Bank has not made any exchanges of financial liabilities for the existing financial liabilities.

2.6.6.1 Effective interest rate of TLTRO III loans

The effective interest rate has been calculated on TLTRO loans based on management judgement related to the fulfilment of net lending criteria for upcoming review periods. If changes occur later in this management judgement, they will be treated as changes in the loan's carrying amount. The gross carrying amount of the loan is recalculated in such a way that it corresponds to the present value of the reassessed cash flows that is discounted at the loan's original effective interest rate. The resulting adjustment is recognised through profit or loss.

In 2021, the conditional additional margin of –0.5% exceeding the ECB's deposit facility rate under TLTRO III funding increased net interest income by EUR 103 million (18). The future cash flows of TLTRO III funding were changed in the cash flow measurement as a result of the fulfilment of the criteria for net lending performance that were the condition for the additional margin. In this change, the conditional additional margin for the current interest period was added to cash flows and the repayment periods of the funding were updated. The gross carrying amount of TLTRO funding was determined under IFRS 9 to correspond to the present value of the reassessed cash flows by discounting them by the original effective interest rates for tranches of finance. The resulting adjustment was recognised through profit or loss under IFRS 9.

Note 3. Net interest income presents the revenue recognition of the conditional additional margin exceeding the ECB's deposit facility rate under TILTRO III funding. In the segment report, the revenue recognition of the additional margin is presented in net interest income of the Other Operations segment, from where it was allocated to other operating income of the Retail Banking and Corporate Banking segments through other operating expenses of the Other Operations segment.

2.6.7 Netting

Financial assets and liabilities are offset in the balance sheet if OP Corporate Bank currently has a legally enforceable right of set-off in the normal course of business and in the event of default, insolvency or bankruptcy, and intends to settle the asset and liability on a net basis (Note 36. Financial assets and liabilities in the 2021 financial statements, which offset in the balance sheet or are subject to enforceable master netting arrangements.

2.6.8 Derivative contracts

Derivative contracts are classified as hedging derivative contracts and derivative contracts held for trading. They include interest rate, currency, equity, commodity and credit derivatives. Derivatives are measured at fair value at all times (Note 14. Derivative contracts).

Standardised OTC derivative transactions entered into with financial counterparties are cleared in London Clearing House, in accordance with the EMIR regulation (EU 648/2012). In the model used, the central counterparty (CCP) will become the derivatives counterparty at the end of the daily clearing process. Depending on the clearing broker, the settled-to-market (STM) or collateralised-to-market (CTM) practice is used as the settlement model. In both models, daily payments of derivatives are offset with the central counterparty. In addition, the fair value change of derivatives (variation margin) is either paid or received in cash. In the STM model, the daily payment is determined on a contractual basis as final payment and part of the derivative contract's cash flows. The daily payment is recognised as a fair value change through profit or loss. In such a case, the derivative contract involves no fair value change other than the valuation difference between OP and the CCP. The difference is recognised in derivative assets or derivative liabilities (Sum of net liability positions) in the balance sheet. The CTM model differs from the STM model in such way that the daily payment has not on a contractual basis defined as the final payment but as collateral. It is, however, offset with the fair value of the derivative in the balance sheet. Other derivatives are presented in the balance sheet on a gross basis, in which case positive value changes are presented as derivative contracts under assets and negative value changes as derivative contracts under liabilities.

2.6.8.1 Hedging derivatives

OP Corporate Bank has prepared methods and internal principles used for hedge accounting, whereby a financial instrument can be defined as a hedging instrument. In accordance with the hedging principles, OP Corporate Bank can hedge against interest rate risk, currency risk and price risk by applying fair value hedge or cash flow hedge. Fair value hedging refers to hedging against changes in the fair value of the hedged asset, and cash flow hedging to hedging against changes in future cash flows. In OP Corporate Bank, the hedgeable risk categories are fair value and cash flow interest rate risks as well as currency risk.

Contracts are not accounted for according to the rules of hedge accounting if the hedging relationship between the hedging instrument and the related hedged item, as required by IAS 39, does not meet the criteria of the standard. OP Corporate Bank also enters into derivative contracts which are in fact used to hedge against financial risks but which do not fulfil these criteria.

2.6.8.2 Derivatives held for trading

The difference between interest received and paid on interest rate swaps held for trading is recorded in Net investment income in the income statement and the corresponding interest carried forward is recognised in Derivative contracts in the balance sheet. Changes in the fair value of derivatives held for trading are recorded under Net investment income in the income statement. Derivatives are carried as assets under Derivative contracts when their fair value is positive and as liabilities under Derivative contracts when their fair value is negative.

2.6.9 Hedge accounting

Hedge accounting is used to verify that changes in the fair value of a hedging instrument or cash flows fully or partially offset the corresponding changes of a hedged item.

The relationship between hedging and hedged instruments is formally documented. The documentation contains information on risk management principles, hedging strategy and the methods used to demonstrate hedge effectiveness. Hedge effectiveness is tested at the inception of the hedge and in subsequent periods by comparing respective changes in the fair value or cash flows of the hedging instrument and the hedged item. The hedge is considered highly effective if the change in the fair value of the hedging instrument or in cash flows offsets the change in the fair value of the hedged contract or portfolio or in cash flows within a range of 80–125%. Due, however, to the Interest Rate Benchmark Reform, if the real result of the retrospective effectiveness test is outside of the limits concerned, the central cooperative consolidated assesses whether hedge accounting can continue or be discontinued. This includes that hedging is still expected to be prospectively effective and the hedging relationship effectiveness can be calculated reliably. When assessing proactive effectiveness testing whether hedge is still highly probable, the reference rate will not be changed due to the Interest Rate Benchmark Reform. The effectiveness test also involves assessing any potential effects of market participants following the Reform on OP Corporate Bank's hedging relationship. OP Corporate Bank will stop applying the changes to hedging relationship effectiveness tests when uncertainty due to the Interest Rate Benchmark Reform ceases to affect cash flows based on reference rate of a hedged item or hedging derivative or when the hedging relationship ceases to exist. OP Corporate Bank applies hedge accounting based on IAS 39 and the related changes caused by the Interest Rate Benchmark Reform.

OP Financial Group set up a Reference Interest Rate Committee tasked with monitoring the progress of the Interest rate Benchmark Reform and its effects on OP Corporate Bank too. OP Financial Group has made a business continuity plan required by the Benchmarks Regulation that determines a substitute rate for contracts if no reference rates are not available or where the existing contract terms by product are identified. The plan is updated as the Reform progresses. OP Corporate Bank will adopt reformed reference rate in new contracts, based on market practice. When it comes to the old portfolio of contracts, the changes will be implemented by adopting practices applied in the market to replace IBORs.

2.6.9.1 Fair value hedges

Fair value hedging against interest rate risk involves long-term fixed-rate debt instruments (such as central bank debt, own issues and certain term deposit issues), individual bond and loan portfolios, as well as individual loans. OP Corporate Bank applies the fair value portfolio hedging model to hedging interest ate corridor loans. OP Corporate Bank uses interest rate options, forward exchange contracts and interest-rate and currency swaps (OTC swaps) as hedging instruments. Hedging against foreign currency risk applies to Non-life Insurance's equity fund investments.

For derivative contracts which are documented as fair value hedges and which provide effective hedges, the changes in the fair value are recognised in the income statement. Hedged assets and liabilities are also measured at fair value during the period for which the hedge is designated, and any fair value changes are recognised through profit or loss.

In fair value hedge accounting, changes in the fair value of the hedging instrument and the hedged item are recorded in banking in the income statement under net interest income and net investment income. These are recorded in net investment income in Non-life Insurance. Any ineffectiveness that may arise from a hedge relationship may be caused by the timing differences between the cash flows of the hedging instrument and the hedged item, and it is correspondingly recognised in the abovementioned items.

The calculation principles of the Euribor changed during 2019. In July 2019, the Financial Services and Markets Authority (FSMA) of Belgium granted authorisation related to the Euribor by virtue of the European Union Benchmark Regulation. This makes it possible for the market participants to continue using the Euribor after 1 January 2020, covering both the existing and new contracts. OP Corporate Bank expects that the Euribor will remain a reference interest rate in the future too and does not expect to change the risk to be hedged as a second reference rate. For these reasons, OP Corporate Bank does not consider that the reference rate change would directly affect fair value hedges where the Euribor is the reference rate.

2.6.9.2 Cash flow hedges

A cash flow hedge is a hedge of the exposure to the variability attributable to a particular risk associated with variable-rate debt or other variable-rate assets and liabilities. In addition, cash flow hedges are used to hedge the future interest flows of the loan portfolio defined on the basis of reference interest rate linkage. Interest rate swaps are used as hedging instruments, for example.

Derivative contracts which are documented as cash flow hedges and provide effective hedges are measured at fair value. The effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income. Any ineffectiveness that may arise from a hedge relationship may be caused by the timing differences between the cash flows of the hedging instrument and the hedged item, and it is recognised in net interest income in the income statement. Fair value changes recognised in equity are included in the income statement in the period when hedged items affect net income.

OP Corporate Bank has assessed to what extent cash flow hedges are dependent on the uncertainty associated with the Interest rate Benchmark Reform on the reporting date. Hedged items and hedging derivatives continue indexing in respect of the reference interest rate that is not changed and whose quotations continue on a daily basis and whose cash flows are changed between counterparties as before. The new reference rate is expected to be replaced with the LIBOR. This transition and the new reference rate still involve uncertainty that may later affect the hedging relationship effectiveness or the assessment of the highly probable term. In respect of cash flow hedges either, OP Corporate Bank does not see that the Reform would cause any uncertainty with timing or Euribor cash flows on the reporting date of 31 December 2021.

2.7 Investment property

Investment property is land and/or buildings or part thereof held to earn rental income or for capital appreciation. Property, a minor part of which is used by the owner company or its personnel, is also accounted for as investment property. However, a part of property used by the owner company or its personnel is not accounted for as investment property if the part can be sold separately. Investment property is shown as investment assets in the consolidated balance sheet (Note 18. Investment assets in the 2021 financial statements).

Investment property is initially recognised at cost which includes transaction costs. It is subsequently carried at fair value. Investment property under construction is also measured at fair value only if the fair value can be determined reliably. Any changes in fair value are recognised under Net investment income in the income statement.

If no comparable market data is available on the actual transaction prices of the property comparable with the property under review, OP Corporate Bank uses the income approach and internal methods based on property-specific net income to determine the fair value of commercial, office and industrial premises. OP Corporate Bank uses both its internal and external information in the income approach. A property's net income comprises the difference between rental income and maintenance charges and it is based on income under current leases or, if no lease is in force, on average market rents. Expenses deducted from income are mainly based on actual expenses. Assumption of underutilisation of the property is also taken into account in the calculation. For the income approach, OP Corporate Bank obtains information on market rental and cost levels from sources outside OP Corporate Bank, in addition to its own expertise. The return requirements for investment property holdings are determined on the basis of the property's purpose of use, location and condition/modernness and are based on market data provided by an external expert.

The fair value of residential buildings and land areas is primarily determined using the market approach, based on information on the actual transaction prices of similar properties and on OP Corporate Bank's internal expertise. In the fair value of undeveloped plots, OP Corporate Bank has taken account of the planning and market situation at the time of appraisal. The fair value of major property holdings is based on valuation reports drawn up by Authorised Property Valuers. External valuers use a cash flow analysis as the basis for their appraisal (Note 12. Recurring fair value measurements by valuation technique).

2.8 Intangible assets

Information systems and other intangible assets are presented in the intangible assets group on the balance sheet (Note 19. Intangible assets in the 2021 financial statements).

2.8.1 Other intangible assets

Other intangible assets are measured at cost less accumulated amortisation and any impairment losses. In general, computer software and licences are amortised over 4 years and other intangible assets over 5 years.

The development costs of internally generated intangible assets (software) are capitalised from the time when they can be determined reliably, completing the asset is technically feasible and the asset can be used or sold and it has been demonstrated that the software will generate future economic benefit. The capitalised expenditure includes, for example, licence fees, purchased services, other external costs related to projects and inhouse work. The asset will be amortised from the time it is ready for use. An asset that is not yet ready for use is assessed annually for impairment. Research costs are recognised as expenses for the financial year.

2.8.2 Cloud computing arrangements

In cloud computing arrangements, in other words Software as a Service (SaaS) or Infrastructure as a Service (IaaS), the software vendor has partial or full control over the software or service concerned, and OP Corporate Bank does not capitalise fees for software or services controlled by the vendor as intangible assets.

The development costs of a cloud computing arrangement, before its implementation, are recognised in prepayments under other assets. The amount capitalised in prepayments constitutes costs related to the implementation project and customisation that are performed by the service provider before the service provider is able to produce the service for OP Corporate Bank. Costs capitalised in prepayments are an integral part of the service and they are not separable from the service itself. Prepayment costs are spread over the contract period from the date when the service is ready for use.

2.9 Property, plant and equipment

Property, plant and equipment (PPE) assets are carried at cost less depreciation and any impairment losses. These assets are depreciated on a straight-line basis over their estimated useful lives. Land is not subject to depreciation. Subsequent expenditures are capitalised at the asset's carrying amount only if it is probable that the asset will generate greater economic benefits than initially estimated (Note 20. Property, plant and equipment in the 2021 financial statements).

The estimated useful lives are mainly as follows:

Buildings	20–50 years
Machinery and equipment	3–10 years
ICT hardware	3–5 years
Cars	5–6 years
Other PPE assets	3–10 years

The assets' residual value and useful lives are reviewed on each balance sheet date and adjusted as appropriate if expectations differ from previous estimates with respect to economic benefits.

2.9.1 Impairment of PPE and intangible assets

On each balance sheet date, OP Corporate Bank assesses whether there is any indication of an asset's impairment. If such indication exists, the amount recoverable from the asset will be estimated. Regardless of the existence of such indication, the recoverable amount is annually estimated for assets not yet available for use, goodwill and intangible assets with indefinite useful lives (brands). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its future recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell (net selling price) or value in use. The recoverable amount is primarily determined on the basis of the asset's net selling price, but if this is not possible, the asset's value in use must be determined. The asset's value in use equals the present value of future cash flows expected to be recoverable from the asset. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The need for impairment of the annually tested assets stated above is always determined on the basis of value-in-use calculations.

If the asset's net selling price cannot be determined and the asset does not generate cash flows independent of other assets, the need for impairment will be determined through the cash-generating unit, or the business segment or its company, to which the asset belongs. In such a case, the carrying amounts of the unit's assets are compared with the entire unit's recoverable amounts.

An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset may not exceed the carrying amount of the asset that would have been determined had no impairment loss been previously recognised. Impairment loss on goodwill may not be reversed under any circumstances.

In respect of property in own use, OP Corporate Bank assesses as part of the financial statements whether there is any indication of an impaired property. Such indication includes a significant reduction in the market value and evidence of non-marketability or physical damage. If the income generated in the future by property in own use is expected to be lower than its acquisition cost not depreciated, the resulting difference will be impairment loss and charged to expenses.

2.10 Leases

At the inception of the lease, OP Corporate Bank assesses whether the contract concerned is a lease or contains a lease. It is the question of a lease treated under IFRS 16 if the following conditions are fulfilled in all respects:

- The contract is based on control over an identified asset in such a way that OP Corporate Bank companies or its employees have the right to decide on the use of the asset throughout the lease period when OP Corporate Bank is the lessee and the customer and its Group companies have decision-making powers related to the use of the asset when OP Corporate Bank is the lessor

- The contract includes rights and obligations and related payments
- The asset identified in the contract is used only by OP Corporate Bank companies or employees when OP Corporate Bank is the lessee, and by the customer or its Group companies when OP Corporate Bank is the lessor.

Recognition of leased assets

On the date of inception, OP Corporate Bank classifies leased assets as finance leases or operating leases depending on the substance of the transaction. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership to the lessee. All other leases are classified as operating leases. Lease classification is performed at the inception of the lease.

Assets leased out under finance lease are recorded as receivables from customers in the balance sheet. to the amount equal to the net investment in the lease. Finance income from the lease is recognised in interest income based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.

Assets leased out under operating lease are shown under property, plant and equipment and are depreciated on a straight-line basis over the lease term. Lease income is presented under other operating income and is recognised on straight-line basis over the lease term. The fixed duration specified in the contract is determined as the lease term in the leased contracts that may not be extended or terminated without a good reason or sanction.

Recognition of leased right-of-use assets

Leased right-of-use assets are presented in PPE assets and are mainly derecognised during the lease term. The corresponding lease liability is presented in other liabilities and the related interest expenses are presented in net interest income. Service charges related to leases, which are separated from the lease amount, are presented in other operating expenses. Separating the service charge is performed by right-of-use asset class.

For leased contracts, OP Corporate Bank defines the lease term as follows:

i. A fixed term that cannot be extended or terminated without any good reason or sanction or
ii. based on management judgement, for a maximum of three years when it is the question of a property lease until further notice to which a mutual notice period applies. If the lease is fixed at first and is renewed to be valid until further notice as described above, the lease term is a combination of these. When such a lease has been terminated, the notice period is defined as the lease term. When determining the lease term, OP assesses that it is reasonably certain that the lessee stays on the premises longer because the property based on the lease has a central location and no substitutive property is necessarily available.
iii. The lessor's notice period if it is the question of a lease other than a property lease until further notice to which a mutual notice period applies. The lease term will always be renewed with a new notice period after the notice period unless the lease has been terminated. When determining the lease term, OP assesses that it is reasonably certain that leases have been concluded for a longer time because terminating and renewing such leases would not be profitable. Or
iv. The useful life of the leased property if it is shorter than the lease terms defined in a matter mentioned above.

In calculating lease liability, OP Corporate Bank usually uses the incremental borrowing rate of the lessor. The interest rate quoted by the OP Corporate Bank Treasury is used as the incremental borrowing rate that Treasury uses to lend OP cooperative banks and OP Financial Group's subsidiaries.

OP Corporate Bank applies entry concessions allowed for lessors. Expenses of low-value and short-term leases for the financial year are recognised in other operating expenses. These leases include laptops, mobile phones and smaller devices and devices and machines leased on a one-time basis.

OP Corporate Bank applies IAS 36 Impairment of assets to determine whether the asset concerned has impaired. On every day at the end of the reporting period, OP Corporate Bank assesses whether there is any indication of impairment of an asset. If there is such indication, OP Corporate Bank will assess the asset's recoverable amount. An asset has impaired when its carrying amount exceeds its recoverable amount.

OP Corporate Bank's leased contracts are mainly those related to premises, company cars and safety devices (Note 21. Leases in the 2021 financial statements).

2.11 Employee benefits

2.11.1 Pension benefits

Statutory pension cover for OP Corporate Bank employees is arranged by Ilmarinen Mutual Pension Insurance Company. Part of the statutory pension cover was managed through OP Bank Group Pension Fund until the end of 2020. OP Corporate Bank transferred the majority of the management of the statutory pension insurance portfolio of OP Bank Group Pension Fund to Ilmarinen Mutual Pension Insurance Company on 31 December 2018 and the remaining portfolio was transferred on 31 December 2020.

Pension plans managed by Ilmarinen Mutual Pension Insurance Company are defined contribution plans. Pension plans managed by insurance companies may be either defined benefit or defined contribution plans. All of the plans managed by OP Bank Group Pension Foundation are defined benefit plans.

Expenses arising from pension plans are recognised under personnel costs in the income statement. Contributions under defined contribution plans are paid to the insurance company and charged to expenses for the financial year to which they relate. No other payment obligations are included in defined contribution plans. Curtailing the defined benefit pension plan or fulfilling or changing the related obligation is recognised through profit or loss at the time of occurrence.

Defined benefit plans managed by insurance companies and OP Bank Group Pension Foundation are funded through payments based on actuarial calculations.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation on the balance sheet date less the fair value of the plan assets of OP Bank Group Pension Foundation and acceptable insurance.

Defined benefit obligations are calculated separately for each plan using the Projected Unit Credit method. Pension costs are charged to expenses over the employees' expected working lives on the basis of calculations performed by authorised actuaries. The discount rate for the present value of the defined benefit obligation is determined on the basis of the market return on high-grade corporate bonds on the closing date of the reporting period.

Items resulting from remeasurements of the net defined benefit liability are recognised in other comprehensive income in the period they occur. Remeasurements of the net defined benefit liability recognised in other comprehensive income will not be reclassified to income statement in later financial periods.

2.11.2 Short-term employee benefits

OP Corporate Bank has a short-term and long-term remuneration scheme in place. Those included in the scheme may receive bonuses either in cash only or as a combination of cash and a reference instrument decided by OP Cooperative's Board of Directors. Bonuses will be paid for work performed during the performance year. The maximum estimated amount under the remuneration scheme is calculated on the grant date and the amount charged to expenses is recognised in personnel costs and deferred expenses over the vesting period.

The amount of compensation corresponding to the objectives reached is reviewed quarterly. Any effects resulting from reviewing the original estimates are recognised in personnel costs in the income statement and the corresponding adjustment is made in accrued expenses and deferred income.

OP Financial Group has a personnel fund into which bonuses are paid on the basis of pre-agreed principles, depending on the achievement of OP Financial Group's targets. Bonuses transferred to the Fund are recognised under 'Wages and salaries' in the profit and loss account and the counterpart as 'Deferred expenses' in the balance sheet until they are disbursed to their beneficiaries (Note 9. Personnel costs in the 2021 financial statements).

2.12 Provisions and contingent liabilities

A provision is recognised for an obligation if the obligation is based on a past event and it is probable that an outflow of resources will be required to settle the obligation, but there is uncertainty about the timing or amount required in settlement. In addition, an entity must have a present legal or constructive obligation towards a third party as a result of past events. If it is possible to receive compensation for part of the obligation from a third party, the compensation is recognised as a separate asset, but only at the time when receipt of the compensation is actually certain.

A contingent liability is a possible obligation arising from past events, whose existence will be confirmed only by the realisation of an uncertain future event beyond OP Corporate Bank's control. A present obligation which probably does not require fulfilment of payment obligation or the amount of which cannot be defined reliably is also considered as contingent liability. A contingent liability is presented in a note (Note 27. Provisions and other liabilities in the 2021 financial statements).

2.13 Income tax

Income taxes shown in the income statement include current tax, based on the taxable income of OP Corporate Bank, income tax for prior financial years and deferred tax expense or income. Taxes are recognised in the profit and loss except when they are directly linked to items entered into equity or other items in other comprehensive income. In such a case, the tax is recognised in the items in question. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the companies operate and generate taxable income.

Deferred tax liabilities are recognised for all temporary differences between the carrying amount and tax base of assets and liabilities. Deferred tax assets are calculated on tax-deductible temporary differences between the carrying amount and taxable value included in the financial statements, and on losses confirmed for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax assets are not recognised insofar as taxable profits are not likely to be generated against which taxable losses or refunds can be utilised. The most significant temporary differences from the measurement of investments at fair value.

OP Corporate Bank offsets deferred tax assets and liabilities by company. Deferred tax assets and liabilities resulting from consolidation are not offset. Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted by the balance sheet date (Note 13. Income tax in the 2021 financial statements).

2.14 Charges of financial authorities

OP Corporate Bank pays charges to various authorities. Responsibility for banking supervision rests with the European Central Bank. The Finnish Financial Supervisory Authority is responsible for macroprudential supervision and supervision of conduct of business. The EU's Single Resolution Board (SRB) is responsible for bank resolution. The financial authority charges and fees are in full recognised under other operating expenses at the beginning of the year (Note 6. Other operating expenses).

2.15.1 Stability contribution

Stability contributions will be paid to the euro-area Single Resolution Fund (SRF) until 2023 in such a way that the target of 1% of the amount of covered deposits will be reached. The SRF is managed by the Single Resolution Board which also determines the amount of stability contributions. The SRF ensures that the financial industry, as a whole, finances the stabilisation of the financial system. The stability contribution is determined based on the bank's importance and risk profile.

2.15.2 Deposit guarantee contribution

Amounts contributed to the former Deposit Guarantee Fund currently exceed the EU requirements governing the deposit guarantee level. By virtue of its rules, the former Deposit Guarantee Fund takes charge of the deposit guarantee contributions payable by its member banks to the new Deposit Guarantee Fund in proportion to which each member bank has made contributions to the former Deposit Guarantee Fund over the years. The Financial Stability Fund determines the contribution for each member bank but charges the amount directly from the former Deposit Guarantee Fund. The deposit guarantee contribution had no effect on OP Corporate Bank in 2020 and 2021 in terms of expenses.

2.15.3 Financial Stability Authority's administrative fee

The administrative fee charged by the Financial Stability Authority is based on the same calculation method as the supervision fee charged by the Financial Supervisory Authority.

2.15.4 Financial Supervisory Authority's supervision fee

The supervision fee charged by the Financial Supervisory Authority comprises a relative supervision fee, which is based on an entity's balance sheet total, and a fixed basic fee.

2.15.5 European Central Bank's supervisory fee

OP Corporate Bank is supervised by the European Central Bank (ECB).

2.16 Government grants

Government grants mean support by which resources are transferred to an entity that has followed or will follow certain conditions related to its business in consideration of the support. Benefit that is received at an interest rate lower than that for the market interest rate of the public authority for the loan is treated as a government grant. The benefit lower than the market interest rate for the loan must be determined based on the difference between the loan's original carrying amount and received payments. However, government grant will be recognised only when it is reasonably certain that the entity fulfils the related terms and condition and that the grant will be given. Grants related to income are reduced from respective expenses in the financial statements and are recognised through profit for the periods when the expenses are recognised as expenditure that the grant is meant to cover.

2.17 New standards and interpretations

The IASB (International Accounting Standards Board) has also issued the following future IFRS amendments. Amendments to IAS 37, IFRS 16 and IFRS 3 took effect on 1 January 2022. The amendments will not have any significant effect on OP Corporate Bank's consolidated financial statements.

On 27 April 2021, the IFRS Interpretations Committee published an agenda decision (Configuration or Customisation Costs in a Cloud Computing Arrangement) dealing with an issue of how costs should be accounted for when it comes to software produced as a cloud computing service (Software as a Service arrangement). When assessing the accounting for the configuration or customisation costs in SaaS, the key issue is whether configuration and customisation service is separable from the SaaS proper. Cost in the configuration and customisation service is charged to an expense if the criterion for such separation is fulfilled.

On 1 January 2021, OP Corporate Bank adopted a document entitled Interest Rate Benchmark Reform (Phase 2) that will amend IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16. These amendments are a continuation of the Interest Rate Benchmark Reform document (Phase 1) adopted in 2020. The amendments to Phase 2 brought two practical reliefs and they are applied from the date when the benchmark rate has changed. The first one applies to financial instruments carried at amortised cost so that changing contractual cash flows due to the Interest Rate Benchmark Reform is treated by updating the effective interest rate, in which case the change does not cause a direct profit or loss. This amendment will have no significant effect on OP Corporate Bank because the majority of receivables and liabilities are linked to the Euribor and the Euribor is still a reference interest rate in use. Libor-linked liabilities and receivables are only small in number. The other amendment applies to hedge accounting which is not discontinued although the reference interest rate changes during the hedging relationship but the risk to be hedged and related cash flows are redetermined when the reference rate changes. Similarly, hedging documentation will be changed in respect of the hedged risk and the hedging instrument. The resulting change in valuation is presented as part of hedge ineffectiveness. This change will have no significant effect on OP Corporate Bank because hedges are mostly linked to the Euribor.

Note 2. Segment reporting

Segment information

Q1–4 earnings 2021, EUR million	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Other operations	Inter-segment items	Total
Net interest income	213	155	33	11		412
of which internal net income before tax	21	-30	1	9		
Net commissions and fees	-31	58	9	-5		31
Net investment income	167	0	0	1		168
Other operating income	70	18	0	19	-58	49
Total income	**420**	**231**	**42**	**27**	**-58**	**661**
Personnel costs	36	26	6	4		72
Depreciation/amortisation	7	2	2	1		12
Other operating expenses	78	76	14	126	-58	236
Total expenses	**121**	**104**	**22**	**132**	**-58**	**320**
Impairments loss on receivables	-38	-37	0	0		-74
Earnings before tax	**261**	**90**	**20**	**-105**		**267**

Q1–4 earnings 2020, EUR million	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Other operations	Inter-segment items	Total
Net interest income	222	129	30	-59		322
of which internal net income before tax	25	-50	0	25		
Net commissions and fees	-33	51	7	-2		23
Net investment income	138		0	12		150
Other operating income	8	9	1	12		29
Total income	**334**	**189**	**38**	**-38**		**523**
Personnel costs	30	25	5	3		62
Depreciation/amortisation	6	4	2	2		14
Other operating expenses	72	65	13	13		163
Total expenses	**108**	**93**	**20**	**18**		**240**
Impairments loss on receivables	-36	-14	-3	1		-53
OP bonuses to owner-customers	0	-2	0			-2
Earnings before tax	**190**	**79**	**15**	**-55**		**228**

Balance sheet 31 December 2021, EUR million	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Other operations	Inter-segment items	Total
Cash and cash equivalents	11	124	48	32,606		32,789
Receivables from credit institutions	-2	133	-3	13,291		13,419
Derivative contracts	3,441			271		3,712
Receivables from customers	15,240	8,041	2,385	570		26,236
Investment assets	487	0	0	16,886		17,373
Intangible assets	5	3	2	1		12
Property, plant and equipment (PPE)	1	1	3	1		5
Other assets	307	321	-97	743		1,274
Tax assets	0	0	0	0		
Total assets	**19,490**	**8,622**	**2,338**	**64,370**		**94,820**
Liabilities to credit institutions	-40	151	0	42,549		42,660
Derivative contracts	2,553			117		2,669
Liabilities to customers	-1	14,894	663	2,801		18,357
Debt securities issued to the public	1,406			21,225		22,630
Provisions and other liabilities	747	0	-4	1,131		1,874
Tax liabilities	1	0	2	336		339
Subordinated liabilities				1,994		1,994
Total liabilities	**4,665**	**15,045**	**661**	**70,153**		**90,524**
Equity						**4,296**

Balance sheet 31 December 2020, EUR million	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Other operations	Inter-segment items	Total
Cash and cash equivalents	11	155	58	21,540		21,764
Receivables from credit institutions	-4	68	4	11,180		11,248
Derivative contracts	5,144			209		5,352
Receivables from customers	13,988	7,794	2,198	482		24,461
Investment assets	491	0	0	15,343		15,834
Intangible assets	13	6	3	2		24
Property, plant and equipment (PPE)	1	1	2	1		4
Other assets	614	459	-55	75		1,094
Tax assets	0	0	0	26		26
Total assets	**20,257**	**8,483**	**2,210**	**48,860**		**79,809**
Liabilities to credit institutions	-35	-98	7	29,014		28,888
Derivative contracts	4,082			192		4,274
Liabilities to customers	46	12,365	771	3,221		16,403
Debt securities issued to the public	855			21,076		21,931
Provisions and other liabilities	754	0	-17	917		1,654
Tax liabilities	0	0	1	329		330
Subordinated liabilities	-11			2,320		2,309
Total liabilities	**5,691**	**12,267**	**762**	**57,069**		**75,789**
Equity						**4,020**

Note 3. Net interest income

EUR million	Q1–4 2021	Q1–4 2020	Q4 2021	Q4 2020
Interest income				
Receivables from credit institutions	36	29	5	9
Receivables from customers				
Loans	356	360	92	89
Finance lease receivables	24	24	7	6
Impaired loans and other commitments		0		
Total	381	384	99	96
Notes and bonds				
Measured at fair value through profit or loss	0	0	0	0
At fair value through other comprehensive income	52	62	13	14
Amortised cost	-12	0	-5	0
Total	40	62	8	14
Derivative contracts				
Fair value hedge	-109	-99	-27	-27
Cash flow hedge	0		0	
Other	5	4	1	1
Total	-105	-94	-26	-26
Liabilities to credit institutions				
Negative interest	203	56	125	23
Liabilities to customers				
Negative interest	41	31	12	9
Other	7	7	2	2
Total	**604**	**474**	**225**	**126**
Interest expenses				
Liabilities to credit institutions	57	77	11	19
Liabilities to customers	-11	4	-3	-2
Notes and bonds issued to the public	80	151	13	29
Subordinated liabilities				
Subordinated loans	0	0		0
Other	62	58	14	16
Total	63	58	14	16
Derivative contracts				
Cash flow hedge	-152	-162	-36	-41
Other	-35	-87	-7	-12
Total	-187	-249	-44	-53
Receivables from credit institutions				
Negative interest	181	104	46	35
Other	5	5	1	1
Total	**187**	**151**	**38**	**45**
Net interest income before fair value adjustment under hedge accounting	417	324	186	81
Hedging derivatives	-72	15	-9	-2
Value changes of hedged items	68	-17	4	1
Total	**412**	**322**	**181**	**80**

The conditional additional margin of –0.5% exceeding the ECB's deposit facility rate under TLTRO III funding increased net interest income by EUR 103 million (18). The future cash flows of TLTRO III funding were changed in the cash flow measurement as a result of the fulfilment of the criteria for net lending performance that were the condition for the additional margin. In this change, the conditional additional margin for the current interest period was added to cash flows and the repayment periods of the funding were updated. The gross carrying amount of TLTRO funding was determined under IFRS 9 to correspond to the present value of the reassessed cash flows by discounting them by the original effective interest rates for tranches of finance. The resulting adjustment was recognised through profit or loss under IFRS 9.

Note 4. Net commissions and fees

Q1–4 2021, EUR million	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Other operations	Inter-segment items	Total	Q4 2021
Commission income							
Lending	31	17	3	0		50	14
Deposits	0	0	3	0		3	1
Payment transfers	0	35	0	0		35	9
Securities brokerage	28					28	6
Securities issuance	6					6	1
Fund fees	0	0		0		0	0
Asset management	2	0				2	1
Legal services	0	0				0	0
Guarantees	2	9	2	0		13	3
Other	0	1	0	0		2	0
Total	**69**	**62**	**9**	**0**		**140**	**35**
Commission expenses							
Lending	0	1		0		1	0
Payment transfers	1	3	0	0		3	1
Securities brokerage	4			0		4	1
Securities issuance	2			1		3	1
Asset management	0			4		4	1
Guarantees			0			0	0
Other*	93	0	0	1		94	25
Total	**100**	**4**	**0**	**5**		**109**	**29**
Total net commissions and fees	**-31**	**58**	**9**	**-5**		**31**	**6**

* The item includes EUR 89 million in commission expenses paid to member banks arising from derivatives trading. In October–December, commissions paid totalled EUR 24 million.

Q1–4 2020, EUR million	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Other operations	Inter-segment items	Total	Q4 2020
Commission income							
Lending	27	18	2	0		47	13
Deposits	0		3	0		3	1
Payment transfers	0	25	0	0		25	7
Securities brokerage	27					27	7
Securities issuance	10			0		10	3
Fund fees	0	0		0		0	0
Asset management	2	0				2	0
Legal services	0					0	0
Guarantees	2	9	2	0		12	3
Other	1	5	1	0		6	2
Total	**69**	**56**	**7**	**0**		**133**	**37**
Commission expenses							
Lending	0	1		0		1	0
Payment transfers	1	1	0	0		2	1
Securities brokerage	4			0		4	1
Securities issuance	2			0		2	1
Asset management	0			1		1	0
Guarantees			0			0	0
Other*	95	3	0	1		98	22
Total	**102**	**5**	**0**	**2**		**110**	**25**
Total net commissions and fees	**-33**	**51**	**7**	**-2**		**23**	**12**

* The item includes EUR 91 million in commission expenses paid to member banks arising from derivatives trading. In October–December, commissions paid totalled EUR 21 million.

Note 5. Net investment income

EUR million	Q1–4 2021	Q1–4 2020	Q4 2021	Q4 2020
Net income from assets at fair value through other comprehensive income				
Notes and bonds				
Other income and expenses	0	0		
Capital gains and losses	4	6	1	0
Total	**4**	**6**	**1**	**0**
Net income recognised at fair value through profit or loss				
Financial assets held for trading				
Notes and bonds				
Interest income and expenses	3	4	-3	0
Fair value gains and losses	-5	1	-2	2
Total	-2	5	-4	2
Shares and participations				
Fair value gains and losses	-3	0	1	0
Dividend income and share of profits	3	6	0	0
Total	0	6	1	0
Derivatives				
Interest income and expenses	15	9	-1	-9
Fair value gains and losses	151	124	45	42
Total	166	133	43	34
Total	**164**	**144**	**40**	**36**
Financial assets that must be measured at fair value through profit or loss				
Notes and bonds				
Fair value gains and losses		0		
Total		0		
Total		**0**		
Total net income from financial assets recognised at fair value through profit or loss	**164**	**144**	**40**	**36**
Net income from investment property				
Fair value gains and losses	0	0	0	
Net income from investment property total	0	0	0	
Total net investment income	**168**	**150**	**40**	**36**

Note 6. Other operating expenses

EUR million	Q1–4 2021	Q1–4 2020	Q4 2021	Q4 2020
ICT costs				
Production	75	70	19	18
Development	17	16	6	3
Buildings	0	0	0	0
Government charges and audit fees*	51	39	9	7
Purchased services	13	12	3	3
Data communications	2	2	0	1
Marketing	2	2	1	1
Corporate social responsibility	0	0	0	0
Insurance and security costs	3	2	1	1
Other*	72	20	48	5
Total	**236**	**163**	**87**	**39**

* Include EUR 22 million (15) in service charges paid to OP Cooperative. In October–December, the share of the internal service charges was EUR 5 million (4).
** Other operating expenses increased by EUR 54 million due to the transmission within OP Financial Group of the margin exceeding the ECB's deposit facility rate based on the TLTRO programme launched in 2021. The portion of the interest rate benefit transmitted between October and December was EUR 45 million.

Development costs

EUR million	Q1–4 2021	Q1–4 2020	Q4 2021	Q4 2020
ICT development costs	17	16	6	3
Share of own work	0	0	0	
Total development costs in the income statement	**17**	**16**	**6**	**3**
Capitalised ICT costs		1		0
Total capitalised development costs		**1**		**0**
Total development costs	**17**	**17**	**6**	**3**
Depreciation/amortisation and impairment loss	11	12	3	3

Note 7. Impairment losses on receivables

EUR million	Q1–4 2021	Q1–4 2020	Q4 2021	Q4 2020
Receivables written down as loan and guarantee losses	-46	-55	-3	-3
Recoveries of receivables written down	1	1	0	0
Expected credit losses (ECL) on receivables from customers and off-balance-sheet items	-28	1	-47	14
Expected credit losses (ECL) on notes and bonds	0	1	0	0
Total	**-74**	**-53**	**-49**	**12**

Credit risk exposures and related loss allowance

Exposures within the scope of accounting for expected credit losses by impairment stage 31 December 2021

Exposures EUR million	Stage 1	Stage 2 Not more than 30 DPD	More than 30 DPD	Total	Stage 3	Total exposure
Receivables from customers (gross)						
Corporate Banking	24,673	1,058	247	1,304	508	26,486
Total	**24,673**	**1,058**	**247**	**1,304**	**508**	**26,486**
Off-balance-sheet limits						
Corporate Banking	4,279	190	88	278	75	4,631
Total	**4,279**	**190**	**88**	**278**	**75**	**4,631**
Other off-balance-sheet commitments						
Corporate Banking	7,196	121		121	78	7,396
Total	**7,196**	**121**		**121**	**78**	**7,396**
Notes and bonds						
Other Operations	13,160	31		31		13,191
Total	**13,160**	**31**		**31**		**13,191**
Total exposures within the scope of accounting for expected credit losses	**49,309**	**1,399**	**335**	**1,733**	**661**	**51,704**

Loss allowance by impairment stage 31 December 2021

On-balance-sheet exposures and related off-balance-sheet limits* EUR million	Stage 1	Stage 2 Not more than 30 DPD	More than 30 DPD	Total	Stage 3	Total loss allowance
Receivables from customers						
Corporate Banking	-23	-23	-2	-25	-269	-317
Total	**-23**	**-23**	**-2**	**-25**	**-269**	**-317**
Other off-balance-sheet commitments**						
Corporate Banking	-3	-3		-3	-14	-20
Total	**-3**	**-3**		**-3**	**-14**	**-20**
Notes and bonds***						
Other Operations	-2	-1		-1		-2
Total notes and bonds	**-2**	**-1**		**-1**		**-2**
Total	**-28**	**-26**	**-2**	**-28**	**-283**	**-339**

* Loss allowance is recognised as one component to deduct the balance sheet item.

** Loss allowance is recognised in provisions and other liabilities in the balance sheet.

*** Loss allowance is recognised in the fair value reserve in other comprehensive income.

The table below shows a summary of loss allowance relative to the exposure amount by impairment stage. The coverage ratio describes the ratio of loss allowance to exposure amount.

Summary and key indicators 31 December 2021	Stage 1	Stage 2			Stage 3	Total
		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Corporate Banking	36,149	1,368	335	1,703	661	38,513
Loss allowance						
Corporate Banking	-26	-25	-2	-27	-283	-337
Coverage ratio, %						
Corporate Banking	-0.07 %	-1.85 %	-0.63 %	-1.61 %	-42.83 %	-0.88 %
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**36,149**	**1,368**	**335**	**1,703**	**661**	**38,513**
Total loss allowance	**-26**	**-25**	**-2**	**-27**	**-283**	**-337**
Total coverage ratio, %	**-0.07 %**	**-1.85 %**	**-0.63 %**	**-1.61 %**	**-42.83 %**	**-0.88 %**
Carrying amount, notes and bonds						
Other Operations	13,160	31		31		13,191
Loss allowance						
Other Operations	-2	0		0		-2
Coverage ratio, %						
Other Operations	-0.01 %	-2.00 %		-2.00 %		-0.02 %
Total notes and bonds	**13,160**	**31**		**31**		**13,191**
Total loss allowance	**-2**	**-1**		**-1**		**-2**
Total coverage ratio, %	**-0.01 %**	**-2.00 %**		**-2.00 %**		**-0.02 %**

Exposures within the scope of accounting for expected credit losses by impairment stage 31 December 2020

Exposures	Stage 1	Stage 2			Stage 3	Total exposure
EUR million		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers (gross)						
Corporate Banking	22,903	1,159	154	1,313	497	24,714
Total	**22,903**	**1,159**	**154**	**1,313**	**497**	**24,714**
Off-balance-sheet limits						
Corporate Banking	4,048	377	69	446	65	4,558
Total	**4,048**	**377**	**69**	**446**	**65**	**4,558**
Other off-balance-sheet commitments						
Corporate Banking	6,267	262		262	99	6,628
Total	**6,267**	**262**		**262**	**99**	**6,628**
Notes and bonds						
Other Operations	13,141	50		50		13,191
Total	**13,141**	**50**		**50**		**13,191**
Total exposures within the scope of accounting for expected credit losses	**46,359**	**1,849**	**223**	**2,071**	**660**	**49,091**

Loss allowance by impairment stage 31 December 2020

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	Total loss allowance
EUR million		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers						
Corporate Banking	-24	-28	-1	-29	-227	-280
Total	**-24**	**-28**	**-1**	**-29**	**-227**	**-280**
Other off-balance-sheet commitments**						
Corporate Banking	-12	-1		-1	-14	-27
Total	**-12**	**-1**		**-1**	**-14**	**-27**
Notes and bonds***						
Other Operations	-1	-1		-1		-2
Total notes and bonds	**-1**	**-1**		**-1**		**-2**
Total	**-37**	**-30**	**-1**	**-31**	**-242**	**-310**

* Loss allowance is recognised as one component to deduct the balance sheet item.

** Loss allowance is recognised in provisions and other liabilities in the balance sheet.

*** Loss allowance is recognised in the fair value reserve in other comprehensive income.

The table below shows a summary of loss allowance relative to the exposure amount by impairment stage. The coverage ratio describes the ratio of loss allowance to exposure amount.

Summary and key indicators 31 December 2020	Stage 1	Stage 2			Stage 3	Total
		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Corporate Banking	33,218	1,798	223	2,021	660	35,900
Loss allowance						
Corporate Banking	-36	-29	-1	-30	-242	-308
Coverage ratio, %						
Corporate Banking	-0.11 %	-1.61 %	-0.56 %	-1.50 %	-36.57 %	-0.86 %
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**33,218**	**1,798**	**223**	**2,021**	**660**	**35,900**
Total loss allowance	**-36**	**-29**	**-1**	**-30**	**-242**	**-308**
Total coverage ratio, %	**-0.11 %**	**-1.61 %**	**-0.56 %**	**-1.50 %**	**-36.57 %**	**-0.86 %**
Carrying amount, notes and bonds						
Other Operations	13,141	50		50		13,191
Loss allowance						
Other Operations	-1	-1		-1		-2
Coverage ratio, %						
Other Operations	-0.01 %	-1.34 %		-1.34 %		-0.02 %
Total notes and bonds	**13,141**	**50**		**50**		**13,191**
Total loss allowance	**-1**	**-1**		**-1**		**-2**
Total coverage ratio, %	**-0.01 %**	**-1.34 %**		**-1.34 %**		**-0.02 %**

The table below shows the change in loss allowance by impairment stage during 2021.

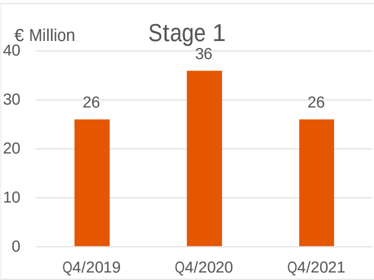
Receivables from customers and off-balance-sheet items, EUR million	**Stage 1** **12 months**	**Stage 2** **Lifetime**	**Stage 3** **Lifetime**	**Total**
Loss allowance 1 January 2021	**36**	**29**	**243**	**308**
Transfers from Stage 1 to Stage 2	-1	6		5
Transfers from Stage 1 to Stage 3	0		13	13
Transfers from Stage 2 to Stage 1	1	-4		-4
Transfers from Stage 2 to Stage 3		-7	32	25
Transfers from Stage 3 to Stage 2		2	-3	-1
Transfers from Stage 3 to Stage 1	0		-2	-2
Increases due to origination and acquisition	10	5	8	24
Decreases due to derecognition	-17	-6	-25	-48
Changes in risk parameters (net)	-3	1	46	44
Changes due to update in the methodology for estimation (net)	1	1	0	2
Decrease in allowance account due to write-offs		0	-30	-30
Net change in expected credit losses	**-10**	**-2**	**40**	**27**
Loss allowance 31 December 2021	**26**	**27**	**283**	**337**
Net change in expected credit losses Q4 2021	**2**	**6**	**39**	**47**

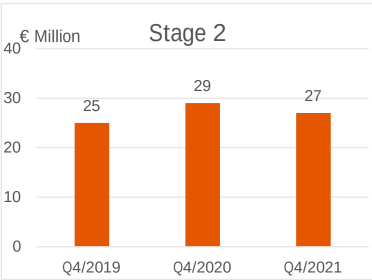
In Q1/2021, OP Corporate Bank calibrated its internal rating model for retail customers to correspond to the new 2020 definition of default. This had an effect in April on the PD model under IFRS 9 and on the quantitative SICR model that is used to decide on transferring the agreement from impairment stage 1 to stage 2. OP Corporate Bank calibrated the original PD curves used in the SICR model to be comparable, in which case the calibration had no significant effect on the amount of the ECL. As part of its normal model update, OP Corporate Bank updated the actual PD model for retail customers under IFRS 9 and the quantitative SICR model during Q4/2021.

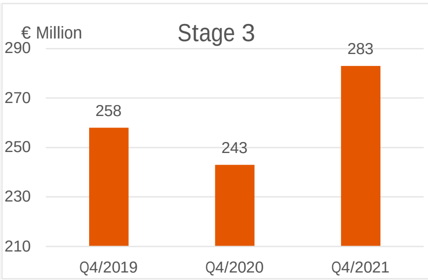
The PD model for retail customers under IFRS 9 was updated based on data complying with the new definition of default, among other things. In addition, we further specified segmentation for the model and the 12-month Euribor, with the effect of inflation and change in GDP deducted, the real 3-month Euribor, with the effect of inflation deducted and change in the unemployment rate deducted (previously GDP change, 12-month Euribor and change in the unemployment rate). ECL increased by 2 million euros; it is presented as a change in model assumptions and methodology.

OP Corporate Bank has exercised management discretion and made an additional 6-million euro ECL provision, concerning mainly CRE-backed loans in stage 3. The provision is aimed at anticipating growth in the ECL caused by the update of the collateral assessment of riskier collateral real estate holdings and probable default statutes. The provision will be reversed after the collateral assessment probably ends during 2022.

The following graphs illustrate the trend in the expected credit losses of customer receivables by impairment stage during the last few years, showing their growth during the Covid-19 pandemic and how the growth has levelled off.



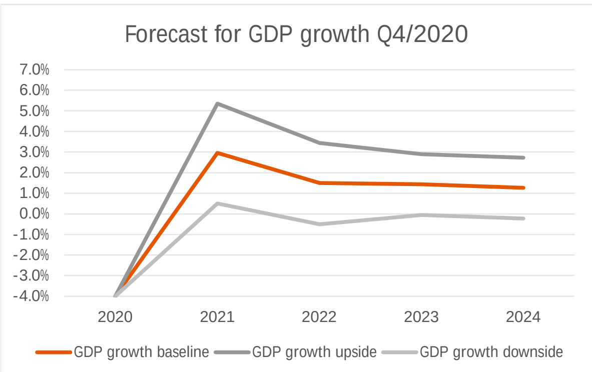


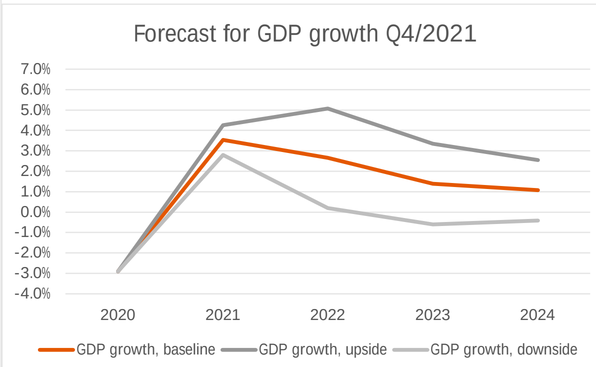


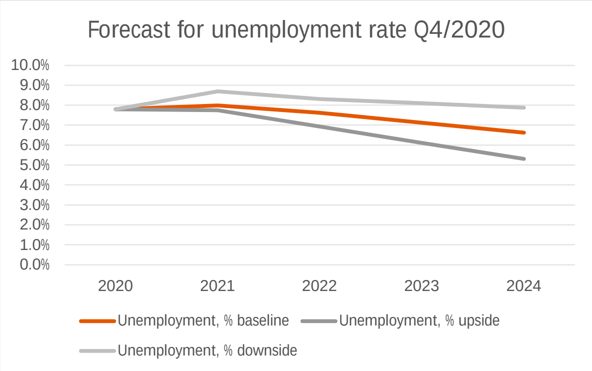
OP Corporate Bank provides its customers with the opportunity to get a maximum of 12-month repayment holiday on their home loans. As regards corporate customers, changes in repayment schedules will be evaluated on a case-by-case basis, and guarantees provided by Finnvera will be used extensively. In loan modifications, forborne loans and customers in default are identified according to the normal set of instructions.

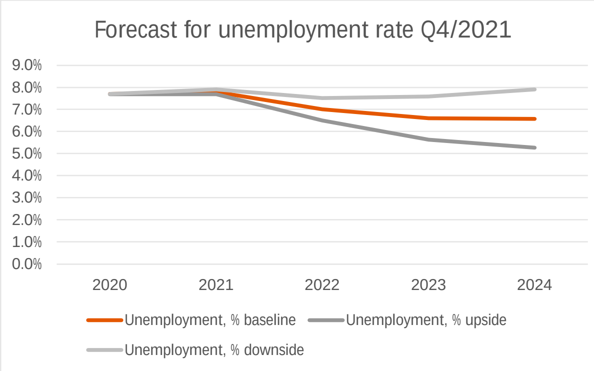
In ECL measurement, macroeconomic factors are updated on a quarterly basis. The ECL is measured as the weighted average under three scenarios. Scenario weights have been at normal level, or downside 20%, baseline 60% and upside 20%. During the fourth quarter of 2021, the update of the macroeconomic forecasts did not have any significant effect on the ECL.

The following graphs illustrate change in forecasts for GDP and the unemployment rate.









Notes and bonds, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2021	**2**	**1**		**2**
Transfers from Stage 2 to Stage 1	0	0		0
Increases due to origination and acquisition	0			0
Decreases due to derecognition	0			0
Changes in risk parameters (net)	0	0		0
Net change in expected credit losses	**0**	**0**		**0**
Loss allowance 31 December 2021	**2**	**0**		**2**
Net change in expected credit losses Q4 2021	**0**	**0**		**0**

The table below shows the change in loss allowance by impairment stage during 2020.

Receivables from customers and off-balance-sheet items, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2020	**26**	**25**	**258**	**309**
Transfers from Stage 1 to Stage 2	-1	7		6
Transfers from Stage 1 to Stage 3	-1		29	28
Transfers from Stage 2 to Stage 1	0	-3		-3
Transfers from Stage 2 to Stage 3		-4	28	24
Transfers from Stage 3 to Stage 2		0	-3	-2
Transfers from Stage 3 to Stage 1	0		0	0
Increases due to origination and acquisition	15	7	4	27
Decreases due to derecognition	-6	-6	-32	-44
Changes in risk parameters (net)	7	5	-7	5
Changes due to update in the methodology for estimation (net)	-5	-2		-7
Decrease in allowance account due to write-offs			-33	-33
Net change in expected credit losses	**10**	**4**	**-15**	**0**
Loss allowance 31 December 2020	**36**	**29**	**243**	**308**
Net change in expected credit losses Q4 2020	**5**	**2**	**-55**	**-48**

Notes and bonds, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2020	**2**	**1**		**3**
Transfers from Stage 1 to Stage 2	0	1		1
Increases due to origination and acquisition	0			0
Decreases due to derecognition	0	-1		-1
Changes in risk parameters (net)	0			0
Changes due to update in the methodology for estimation (net)	-1			-1
Net change in expected credit losses	**-1**	**0**		**-1**
Loss allowance 31 December 2020	**2**	**1**		**2**
Net change in expected credit losses Q4 2020	**0**	**0**		**-1**

Note 8. Debt securities issued to the public

EUR million	31 Dec 2021	31 Dec 2020
Bonds	10,927	12,694
Subordinated bonds (SNP)	3,926	1,689
Other		
Certificates of deposit	297	273
Commercial paper	7,539	7,347
Included in own portfolio in trading (–)*	-58	-72
Total debt securities issued to the public	**22,630**	**21,931**

*Own bonds held by OP Corporate Bank plc have been set off against liabilities.

Note 9. Fair value reserve after income tax

	Fair value through other comprehensive income		
EUR million	Notes and bonds	Cash flow hedging	Total
Opening balance 1 January 2020	**-4**	**0**	**-4**
Fair value changes	31	2	33
Capital gains transferred to income statement	-2		-2
Deferred tax	-6	0	-7
Closing balance 31 December 2020	**20**	**2**	**22**

	Fair value through other comprehensive income		
EUR million	Notes and bonds	Cash flow hedging	Total
Opening balance 1 January 2021	**20**	**2**	**22**
Fair value changes	30	-4	27
Capital gains transferred to income statement	-2		-2
Deferred tax	-6	1	-5
Closing balance 31 December 2021	**43**	**-1**	**42**

The fair value reserve before tax amounted to EUR 52 million (28) at the end of the reporting period and the related deferred tax asset/liability was EUR –10 million (–6). The loss allowance on notes and bonds recognised at fair value through other comprehensive income totalled EUR 0 million (1) in the fair value reserve during the reporting period. Data on 31 December 2020 are used as comparatives.

Note 10. Collateral given

EUR million	31 Dec 2021	31 Dec 2020
Given on behalf of own liabilities and commitments		
Others	18,320	9,658
Total collateral given*	**18,320**	**9,658**
Secured derivative liabilities	744	1,078
Other secured liabilities	16,004	8,008
Total	**16,748**	**9,086**

* In addition, bonds with a book value of EUR 2.0 billion have been pledged in the central bank, of which EUR 1.0 billion in intraday settlement collateral. Given that the bonds are available for withdrawal without the central bank's advance permission, they are not presented in the table above.

Note 11. Classification of financial assets and liabilities

			Fair value through profit or loss			
Assets, EUR million	**Amortised cost**	**Fair value through other comprehen-sive income**	**Financial assets held for trading**	**Must be measured at fair value through profit or loss**	**Hedging derivatives**	**Carrying amount total**
Cash and cash equivalents	32,789					32,789
Receivables from credit institutions	13,419					13,419
Derivative contracts			3,444		268	3,712
Receivables from customers	26,236					26,236
Notes and bonds	3,853	13,171	331			17,355
Equity instruments		0	18			18
Other financial assets	1,274					1,274
Financial assets						**94,803**
Other than financial instruments						17
Total 31 December 2021	**77,571**	**13,171**	**3,792**		**268**	**94,820**

Assets, EUR million	Amortised cost	Fair value through other comprehen-sive income	Financial assets held for trading	Must be measured at fair value through profit or loss	Hedging derivatives	Carrying amount total
Cash and cash equivalents	21,764					21,764
Receivables from credit institutions	11,248					11,248
Derivative contracts			5,143		209	5,352
Receivables from customers	24,461					24,461
Notes and bonds	814	13,639	332			14,784
Equity instruments	1,024	0	25			1,050
Other financial assets	1,097					1,097
Financial assets						**79,756**
Other than financial instruments						53
Total 31 December 2020	**60,408**	**13,639**	**5,500**		**209**	**79,809**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		42,660		42,660
Derivative contracts	2,579		91	2,669
Liabilities to customers		18,357		18,357
Debt securities issued to the public		22,630		22,630
Subordinated loans		1,994		1,994
Other financial liabilities		1,748		1,748
Financial liabilities				**90,059**
Other than financial liabilities				465
Total 31 December 2021	**2,579**	**87,389**	**91**	**90,524**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		28,888		28,888
Derivative contracts	4,079		195	4,274
Liabilities to customers		16,403		16,403
Debt securities issued to the public		21,931		21,931
Subordinated loans		2,309		2,309
Other financial liabilities		1,572		1,572
Financial liabilities				**75,377**
Other than financial liabilities				412
Total 31 December 2020	**4,079**	**71,103**	**195**	**75,789**

Bonds included in debt securities issued to the public are carried at amortised cost. On 31 December 2021, the fair value of these debt instruments was approximately EUR 190 million (303) higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their amortised costs, but determining reliable fair values involves uncertainty.

Note 12. Recurring fair value measurements by valuation technique

Fair value of assets on 31 December 2021, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments		13	5	18
Debt instruments	77	60	193	331
Derivative financial instruments	1	3,604	106	3,712
Fair value through other comprehensive income				
Equity instruments		0		0
Debt instruments	10,269	2,376	527	13,171
Total financial instruments	**10,347**	**6,053**	**832**	**17,232**
Investment property			0	0
Total	**10,347**	**6,053**	**832**	**17,232**

Fair value of assets on 31 December 2020, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments		22	4	25
Debt instruments	61	35	235	332
Derivative financial instruments	0	5,291	61	5,352
Fair value through other comprehensive income				
Equity instruments		0		0
Debt instruments	12,075	1,280	283	13,639
Total financial instruments	**12,137**	**6,628**	**583**	**19,348**
Investment property			0	0
Total	**12,137**	**6,628**	**583**	**19,348**

Fair value of liabilities on 31 December 2021, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Other		0		0
Derivative financial instruments	2	2,637	30	2,669
Total	**2**	**2,637**	**30**	**2,669**

Fair value of liabilities on 31 December 2020, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Other		0		0
Derivative financial instruments	0	4,232	42	4,274
Total	**0**	**4,232**	**42**	**4,274**

Level 1: Quoted prices in active markets

This level includes equities listed on major stock exchanges, quoted debt instruments issued by companies, governments and financial institutions, as well as exchange-traded derivatives. The fair value of these instruments is determined on the basis of the quotes in active markets.

Level 2: Valuation techniques using observable inputs

Valuation techniques based on observable input parameters. The fair value of the instruments included within this level means value derived from the market price of a financial instrument's components or similar financial instruments; or value which can be determined using commonly used valuation models and techniques if the inputs significant to the fair value measurement are based on observable market data. This hierarchy level includes the majority of OP Corporate Bank plc's OTC derivatives and quoted debt instruments issued by companies, governments and financial institutions which have not been included in Level 1.

Level 3: Valuation techniques using unobservable inputs

Valuation techniques whose input parameters involve uncertainty. The fair value determination of the instruments included within this level contains inputs not based on observable market data (unobservable inputs). Level 3 also includes bonds for which there is little, if any, market activity on the valuation date. This level includes the most complex OTC derivatives and derivatives with a long maturity for which the Group had to extrapolate the market data used in their value measurement, as well as certain private equity investments, and illiquid bonds, structured bonds, including securitised bonds and structured debt securities, and hedge funds. Level 3 fair value is based on pricing information from a third party.

Transfers between levels of the fair value hierarchy

Transfers between the levels of the fair value hierarchy are considered to take place on the date when an event causes such transfer or when circumstances change. Transfers between the levels are mainly due to the number of available market quotes.

Reconciliation of Level 3 items

Specification of financial assets and liabilities

Financial assets, EUR million	Financial assets at fair value through profit or loss	Derivative contracts	Fair value through other comprehen-sive income	Total assets
Opening balance 1 January 2021	**239**	**61**	**283**	**583**
Total gains/losses in profit or loss	-233	45		-188
Transfers into Level 3	193		376	569
Transfers out of Level 3			-132	-132
Closing balance 31 December 2021	**198**	**106**	**527**	**832**

Financial liabilities, EUR million	Derivative contracts	Total liabilities
Opening balance 1 January 2021	**42**	**42**
Total gains/losses in profit or loss	-11	-11
Closing balance 31 December 2021	**30**	**30**

Total gains/losses included in profit or loss by item on 31 December 2021

EUR million	Net interest income	Net investment income	Statement of comprehensive income/ Change in fair value reserve	Total gains/ losses for the financial year included in profit or loss for assets/ liabilities held at year-end
Realised net gains (losses)	-233			-233
Unrealised net gains (losses)	57			57
Total net gains (losses)	**-177**			**-177**

Derivatives included in Level 3 comprise structured derivatives for customer needs, whose market risk is covered by a corresponding derivatives contract. The uncovered market risk does not have any effect on earnings. Level 3 derivatives relate to structured bonds issued by OP Corporate Bank, whose return is determined by the value performance of an embedded derivative instrument. The fair value change of these embedded derivatives is not presented in the above table. In addition, long-maturity derivatives have been included in Level 3 for which the Group had to extrapolate the market data used in their value measurement.

Changes in the levels of hierarchy

No major changes occurred in valuation techniques in 2021.

Note 13. Off-balance-sheet commitments

EUR million	31 Dec 2021	31 Dec 2020
Guarantees	406	460
Other guarantee liabilities	2,413	1,871
Loan commitments	5,678	5,364
Commitments related to short-term trade transactions	656	227
Other	495	496
Total off-balance-sheet commitments	**9,649**	**8,417**

Note 14. Derivative contracts

Total derivatives 31 December 2021

	Nominal values/residual maturity				Fair values*	
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	36,731	90,360	97,277	224,368	2,706	1,808
Cleared by the central counterparty	10,327	38,295	51,866	100,487	11	13
Settled-to-market (STM)	6,155	24,603	37,311	68,069	9	11
Collateralised-to-market (CTM)	4,171	13,692	14,554	32,418	2	3
Currency derivatives	44,689	5,508	757	50,954	790	662
Equity and index-linked derivatives	2			2	0	
Credit derivatives	34	62		95	2	35
Other derivatives	260	544	28	832	104	43
Total derivatives	**81,716**	**96,473**	**98,061**	**276,251**	**3,602**	**2,549**

Total derivatives 31 December 2020

	Nominal values/residual maturity				Fair values*	
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	45,279	83,087	92,831	221,197	4,159	2,957
Cleared by the central counterparty	9,805	42,800	48,980	101,586	19	21
Settled-to-market (STM)	6,579	27,094	35,623	69,296	14	16
Collateralised-to-market (CTM)	3,226	15,706	13,357	32,290	5	5
Currency derivatives	48,884	4,121	1,880	54,885	1,026	1,072
Equity and index-linked derivatives		2		2	0	
Credit derivatives	90	82		172	1	0
Other derivatives	133	458	11	602	52	28
Total derivatives	**94,386**	**87,750**	**94,723**	**276,859**	**5,238**	**4,057**

* The fair values include accrued interest that is, excluding other than those held-for-trading derivatives, presented in the balance sheet in other assets or provisions and other liabilities. In addition, the fair value of derivatives for central counterparty clearing is offset in the balance sheet.

Note 15. Related-party transactions

OP Corporate Bank plc's related parties comprise subsidiaries consolidated into OP Cooperative Consolidated, associates, key management personnel and their close family members, and other related-party entities. The company's key management personnel comprises the President and CEO, Deputy President and CEO and other members of senior management as well as members of the Board of Directors. Related parties also include companies over which key management persons or their close family member, either alone or together with another person, exercises significant influence. Other entities regarded as related parties include OP Bank Group Pension Foundation and OP Financial Group's Personnel Fund.

Information on related party corporate transactions can be found in Note 1.

Standard terms and conditions for credit are applied to loans granted to the related parties. Loans are tied to generally used reference rates.

Financial reporting

Time of publication of 2021 reports:

OP Corporate Bank's Report by the Board of Directors and Financial Statements for 2021	Week 10
OP Corporate Bank's Corporate Governance Statement 2021	Week 10

Schedule for Interim Reports and Half-year Financial Report in 2022:

Interim Report Q1/2022	4 May 2022
Half-year Financial Report H1/2022	27 July 2022
Interim Report Q1–3/2022	26 October 2022

Helsinki, 9 February 2022

OP Corporate Bank plc
Board of Directors

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